

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Shiawassee County	County Shiawassee
Fiscal Year End 12/31/05	Opinion Date 3/13/06	Date Audit Report Submitted to State 6/23/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

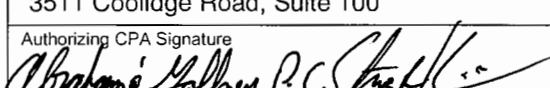
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N

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Single Audit	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517) 351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
		Zip 48823	
Authorizing CPA Signature 		Printed Name Steven R. Kirinovic, CPA	License Number 1101022020

Shiawassee County, Michigan

FINANCIAL STATEMENTS

December 31, 2005

Shiawassee County, Michigan

December 31, 2005

BOARD OF COMMISSIONERS

James P. Capitan	Commissioner
Kim H. Van Pelt	Commissioner
Jerry Walden	Commissioner
Jon Michael Fuja	Commissioner
Gerald W. Cole	Commissioner
Wayne L. Roszman	Commissioner
Jaime F. Pavlica	Commissioner

ADMINISTRATION AND OTHER ELECTED OFFICIALS

Margaret A. McAvoy	County Coordinator
Thomas W. Dwyer	Treasurer
Lauri L. Braid	Clerk
Lori Kimble	Register of Deeds
Gary Holzhausen	Drain Commissioner
Randy O. Colbry	Prosecuting Attorney
R. Jon Wilson	Sheriff

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Shiawassee County, Michigan

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Principals

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Michael T. Gaffney, CPA
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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
of Shiawassee County
Corunna, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Shiawassee County, Michigan as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Shiawassee County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Shiawassee County, Michigan as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 13, 2006 on our consideration of Shiawassee County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Shiawassee County's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 13, 2006

Shiawassee County

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of Shiawassee County, we offer this narrative overview and analysis of the financial activities of the County, including limited information pertaining to the separately audited Road Commission for the year ended December 31, 2005. For more detailed information, the Road Commission's separately issued financial statements may be obtained from their administrative offices.

Financial Highlights

- The assets of the County primary government exceeded its liabilities at the close of the fiscal year by approximately \$30.3 million (*net assets*). Of this amount, approximately \$17.2 million (*unrestricted net assets*) may be used to meet the government's ongoing obligations.
- The primary government's total net assets increased by approximately \$1.7 million, or 6 percent over the prior year.
- As of the close of the fiscal year, the County's governmental funds reported combined ending fund balances of approximately \$7.7 million, an increase of approximately \$1.4 million or 23 percent more than the prior year. Of this total, approximately \$7.1 million or 93 percent is *available for spending (unreserved and undesignated fund balance)*, however, the major portion of this amount (approximately \$6.0 million) is available only for the special revenue fund purposes from which these funds are derived.
- At the end of the fiscal year, unreserved and undesignated fund balance for the General Fund was approximately \$1.2 million, an amount equal to 6.4 percent of total General Fund expenditures and transfers.
- The County's total net bonded debt, including that of the component units, decreased by a net of \$481,562 or - 7 percent during the current fiscal year. New debt issues included \$371,980 in Drain notes.

Overview of the Financial Statements

The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets indicate whether the financial position of the County is improving or deteriorating. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of Shiawassee County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, public works, health and welfare, community and economic development, recreation and cultural and other functions. The business-type activities primarily represent the administration of the delinquent property tax system and the Medical Care Facility.

Shiawassee County

Management's Discussion and Analysis

The government-wide financial statements include not only the County itself (known as the *primary government*), but also four (4) legally separate entities: the Shiawassee County Road Commission, the Shiawassee County Airport, the Drainage Districts, and the Shiawassee Council on Aging. Financial information for the *component units* is reported separately from the financial information presented for the primary government itself.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains 33 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Health Department, and Revenue Sharing Reserve fund, each of which is considered to be a major fund. Data from the nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its General and certain special revenue funds. Budgetary comparison schedules have been provided herein to demonstrate compliance with the County General, Health Department, and Revenue Sharing Reserve funds budgets.

Proprietary funds. The County maintains one type of proprietary fund: enterprise funds. *Enterprise funds* report the same functions as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for the Tax Payment Fund and the Medical Care Facility which are considered to be major funds. Data from the nonmajor enterprise funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor enterprise funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's own programs.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information, including combining statements of the nonmajor governmental and enterprise funds.

Shiawassee County

Management's Discussion and Analysis

Government-wide Financial Analysis

Statement of Net Assets

Shiawassee County's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
Assets						
Current and other assets	\$ 12,454,588	\$ 14,077,145	\$ 19,026,162	\$ 18,877,178	\$ 31,480,750	\$ 32,954,323
Capital assets	<u>3,161,005</u>	<u>3,277,748</u>	<u>2,677,566</u>	<u>2,612,661</u>	<u>5,838,571</u>	<u>5,890,409</u>
Total assets	15,615,593	17,354,893	21,703,728	21,489,839	37,319,321	38,844,732
Liabilities						
Current	6,293,174	6,516,117	1,445,851	1,093,440	7,739,025	7,609,557
Noncurrent	<u>962,732</u>	<u>895,846</u>	<u>-</u>	<u>-</u>	<u>962,732</u>	<u>895,846</u>
Total liabilities	7,255,906	7,411,963	1,445,851	1,093,440	8,701,757	8,505,403
Net Assets						
Invested in capital assets - net of related debt	2,622,224	2,758,861	2,677,566	2,612,661	5,299,790	5,371,522
Restricted	4,337,271	5,503,044	2,510,148	2,306,244	6,847,419	7,809,288
Unrestricted	<u>1,400,192</u>	<u>1,681,025</u>	<u>15,070,163</u>	<u>15,477,494</u>	<u>16,470,355</u>	<u>17,158,519</u>
Total net assets	<u>\$ 8,359,687</u>	<u>\$ 9,942,930</u>	<u>\$ 20,257,877</u>	<u>\$ 20,396,399</u>	<u>\$ 28,617,564</u>	<u>\$ 30,339,329</u>

As noted previously, net assets serve over time as a useful indicator of a government's financial position. In the case of Shiawassee County, assets exceeded liabilities by approximately \$30.3 million at the close of the year. This amount compares favorably with the prior year where net assets totaled \$28.6 million.

The County's net assets include approximately \$5.4 million capital assets comprised of land, buildings, vehicles and equipment less any outstanding related debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

Certain other limitations on the use of net assets apply due primarily to legal restrictions. These restricted net assets total approximately \$7.8 million. The remaining balance of unrestricted net assets (\$17.2 million or 56.5 percent) may be used to meet the government's ongoing obligations.

Statement of Activities

Shiawassee County's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
Revenues						
Program revenue:						
Charges for services	\$ 5,524,500	\$ 5,666,003	\$ 10,139,705	\$ 10,467,502	\$ 15,664,205	\$ 16,133,505
Operating grants and contributions	5,303,814	5,451,110	-	-	5,303,814	5,451,110
General revenues:						
Property taxes	10,102,916	10,373,308	3,084,234	3,123,405	13,187,150	13,496,713
State Revenue Sharing	760,083	107,830	-	-	760,083	107,830
Investment earnings	121,983	336,027	114,031	288,997	236,014	625,024
Miscellaneous	41,666	37,969	-	-	41,666	37,969
Transfers	<u>605,000</u>	<u>612,633</u>	<u>(605,000)</u>	<u>(612,633)</u>	<u>-0-</u>	<u>-0-</u>
Total revenues	22,459,962	22,584,880	12,732,970	13,267,271	35,192,932	35,852,151

Shiawassee County

Management's Discussion and Analysis

Statement of Activities - continued

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
Expenses						
General government	\$ 7,539,388	\$ 8,013,850	\$ -	\$ -	\$ 7,539,388	\$ 8,013,850
Public safety	5,737,801	5,711,380	-	-	5,737,801	5,711,380
Public works	145,135	24,924	-	-	145,135	24,924
Health and welfare	5,207,860	5,375,717	-	-	5,207,860	5,375,717
Community and Economic Development	664,172	703,283	-	-	664,172	703,283
Recreation and Cultural	170,270	68,282	-	-	170,270	68,282
Other	<u>791,486</u>	<u>640,707</u>	<u>12,163,264</u>	<u>13,128,749</u>	<u>12,954,750</u>	<u>13,769,456</u>
Total expenses	<u>20,256,112</u>	<u>20,538,143</u>	<u>12,163,264</u>	<u>13,128,749</u>	<u>32,419,376</u>	<u>33,666,892</u>
Increase in net assets	2,203,850	2,046,737	569,706	138,522	2,773,556	2,185,259
Net assets, beginning of year	<u>6,155,837</u>	<u>7,896,193</u>	<u>19,688,171</u>	<u>20,257,877</u>	<u>25,844,008</u>	<u>28,154,070</u>
Net assets, end of year	<u>\$ 8,359,687</u>	<u>\$ 9,942,930</u>	<u>\$20,257,877</u>	<u>\$20,396,399</u>	<u>\$ 28,617,564</u>	<u>\$30,339,329</u>

The preceding table shows that the net assets of governmental activities increased by approximately \$2.0 million or 26.0 percent during 2005 as compared to approximately \$2.2 million in the prior year.

Business-type Activities

Net assets of the County's business-type activities increased by approximately \$139,000. Net assets of the Delinquent Tax Revolving fund increased by approximately \$74,000 while net assets of the Medical Care Facility and the nonmajor enterprise funds increased by approximately \$65,000.

Financial Analysis of the Government's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of approximately \$7.7 million. This represents an increase of approximately \$1.4 million in comparison with the prior year, a majority of which is explained by the second year phase-in of the Revenue Sharing Reserve, which provides an alternative to the elimination of State Revenue Sharing for a portion of the current year and full replacement in future years.

Approximately \$7.1 million or 93.0 percent of total fund balance constitutes *unreserved and undesignated fund balance*, which is available for spending. However approximately \$6.0 million of this amount may only be used for special revenue fund purposes. The remainder of fund balance is either *reserved* to indicate that it is not available for new spending (approximately \$.2 million), or is *designated* to support capital and other projects (approximately \$.4 million).

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, the total fund balance was approximately \$1.3 million, while the unreserved/undesignated fund balance of the General Fund was approximately \$1.2 million, an amount equal to 6.4 percent of total General Fund expenditures. This level of General Fund unreserved/undesignated fund balance is low compared with recognized benchmarks that governments should strive to maintain.

Shiawassee County

Management's Discussion and Analysis

The fund balance of the County's General Fund increased by approximately \$375,000 during the current fiscal year, and compares favorably with the approximately \$195,000 increase in the General Fund balance reported during the prior year. This increase is largely due to the better tracking and reporting of current year receivables and revenues and controlling County expenditures.

The Revenue Sharing Reserve Fund has a total fund balance of approximately \$3.4 million. As indicated above this established fund, authorized by shifting forward the collection date for the County portion of the property tax levy from December to July, is intended to provide a reserve from which the County may draw amounts to replace revenues previously received from the now suspended State Revenue Sharing program. The current fund balance represents the second year of a three year phase-in that will ultimately provide deposits totaling approximately \$7.9 million to this fund. The balance in this fund is projected to be exhausted in year 2009 or 2010 at which time the County is to revert to an alternate State sponsored revenue source.

General Fund Budgetary Highlights

The original General Fund expenditure budget of \$15.6 million was approximately \$16.1 million after revisions; however, actual expenditures totaled \$18.2 million due to the flow thru of \$2.6 in Revenue Reserve tax receipts. Absent the flow thru of Revenue Reserve tax receipts, there was a net savings of approximately \$490,000 or 3 percent under the revised budget. Expenditure savings came from several departments and resulted primarily from reduced contractual services and some personnel positions not filled for the entire year.

Actual revenues and other financing sources came in at approximately 18.6 million taking into account the flow thru of \$2.6 in Revenue Reserve tax receipts. Absent the flow thru of Revenue Reserve tax receipts, revenues were near the revised budget of 16.0 million.

Capital Asset and Debt Administration

Capital Assets - At the end of 2005, the County had invested \$5,890,409 in primary government capital assets and \$7,918,709 for the component units (excluding the Road Commission, see separately issued financial statements), net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was \$5,978,950 for the primary government. Depreciation charges for the fiscal year totaled \$682,661 for the primary government and \$171,165 for the component units (excluding the Road Commission, see separately issued financial statements).

	Governmental Activities	Business- type Activities	Component Units Drains	Total
Land and improvements, net	\$ 594,000	\$ 47,610	\$ -	\$ 641,610
Buildings, net	1,657,386	1,708,928	-	3,366,314
Equipment, net	597,739	856,123	-	1,453,862
Vehicles, net	428,623	-	-	428,623
Drains, net	-	-	7,918,709	7,918,709
Capital assets, net	<u>\$ 3,277,748</u>	<u>\$2,612,661</u>	<u>\$ 7,918,709</u>	<u>\$13,809,118</u>

Long-term Debt - As of December 31, 2005, the County had \$983,959 in bonds and notes outstanding for the primary government. This level of net obligation is \$57,546 less than the obligation recorded as of December 31, 2004. In addition, the County uses its full faith and credit (as a secondary obligator), to back the Drainage District and Airport component unit debt. All drain debt is payable out of assessments against the drainage districts or by contractual agreements with local units of government. The following table excludes the County Road Commission.

Shiawassee County

Management's Discussion and Analysis

Outstanding Debt as of December 31, 2005:

Primary Government	<u>Jan. 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Dec. 31, 2005</u>
Governmental Activities				
Long-term obligations payable	\$ 1,041,505	\$ 50,396	\$ 107,942	\$ 983,959
Component Unit				
County Airport				
Airport Note	18,428	-	5,961	12,467
Drainage Districts				
Drain Bonds and Notes & Due to other Government Units	<u>5,081,627</u>	<u>371,980</u>	<u>773,899</u>	<u>4,679,708</u>
Total Component Units	<u>5,100,055</u>	<u>371,980</u>	<u>779,860</u>	<u>4,692,175</u>
Total Reporting Entity	<u>\$ 6,141,560</u>	<u>\$ 422,376</u>	<u>\$ 887,802</u>	<u>\$ 5,676,134</u>
Debt Limit (10% of SEV)				<u>\$160,234,576</u>
Available Statutory Debt Limit				<u>\$154,558,442</u>

A more detailed discussion of the County's long-term debt obligations is presented in Note H to the financial statements.

Limitations on Debt:

State statute limits the County's debt obligations to 10 percent of the current state equalized value (SEV). The County's SEV as of December 31, 2005 was \$1.602 billion; therefore the County's debt limitation was over \$160 million. The county remains well below its legal debt limit by over \$154 million.

SHIAWASSEE COUNTY GOVERNMENT ECONOMIC OUTLOOK:

- The Revenue Sharing Reserve Fund was established by the State in order to replace State Revenue Sharing payments to counties.
- The continued uncertainty over the State's budget situation may lead to decreases in other areas of State funding.
- Health, dental, and optical insurance premiums are an uncertain cost and may rise much faster than the rate of inflation.
- Retirement costs are increasing due to poor stock market performance over the last several years and lower interest rates.
- Capital projects relating to security issues are being budgeted due to the importance of this matter.

These factors were considered in adopting the Budget for 2006. The 2006 budget calls for some usage of the County's fund balance to balance the General Fund Budget. The County continues to look for ways to increase efficiencies and reduce the cost of doing business.

CONTACTING THE COUNTY

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the Shiawassee County Coordinator's Office at (989) 743-2458 or via email at mmcavoy@shiawassee.net.

BASIC FINANCIAL STATEMENTS

Shiawassee County, Michigan

STATEMENT OF NET ASSETS

December 31, 2005

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 4,540,031	\$ 13,059,509	\$ 17,599,540	\$ 3,286,311
Investments	-	-	-0-	2,498,611
Receivables	8,206,332	5,940,275	14,146,607	4,005,510
Internal balances	122,606	(122,606)	-0-	-
Current portion of lease receivable	-	-	-0-	67,388
Due from other governmental units	981,694	-	981,694	1,312,286
Inventories	56,482	-	56,482	309,849
Total current assets	13,907,145	18,877,178	32,784,323	11,479,955
Noncurrent assets				
Cash and cash equivalents - restricted	-	-	-0-	628,086
Investments	-	-	-0-	182,841
Lease receivable	-	-	-0-	836,980
Advance to other governmental unit	170,000	-	170,000	-
Capital assets not being depreciated	540,000	-	540,000	6,149,672
Capital assets, net of accumulated depreciation	2,737,748	2,612,661	5,350,409	50,815,349
Total noncurrent assets	3,447,748	2,612,661	6,060,409	58,612,928
TOTAL ASSETS	17,354,893	21,489,839	38,844,732	70,092,883
LIABILITIES				
Current liabilities				
Accounts payable	381,335	218,430	599,765	60,002
Other accrued liabilities	423,752	875,010	1,298,762	50,060
Due to other governmental units	-	-	-0-	15,000
Accrued interest payable	3,356	-	3,356	29,306
Deferred revenue	5,589,561	-	5,589,561	238,317
Current portion of compensated absences	46,507	-	46,507	67,818
Current portion of long-term debt	71,606	-	71,606	625,441
Total current liabilities	6,516,117	1,093,440	7,609,557	1,085,944
Noncurrent liabilities				
Advances from State	30,000	-	30,000	409,567
Advance from other governmental unit	-	-	-0-	170,000
Noncurrent portion of compensated absences	418,565	-	418,565	203,455
Noncurrent portion of long-term debt	447,281	-	447,281	4,546,734
Total noncurrent liabilities	895,846	-0-	895,846	5,329,756
TOTAL LIABILITIES	7,411,963	1,093,440	8,505,403	6,415,700
NET ASSETS				
Invested in capital assets, net of related debt	2,758,861	2,612,661	5,371,522	53,317,912
Restricted for				
Public safety	1,140,432	-	1,140,432	-
Employee benefits	-	2,306,244	2,306,244	-
Capital improvement	83,400	-	83,400	5,198,612
County roads	-	-	-0-	4,702,553
Other purposes	4,279,212	-	4,279,212	-
Unrestricted	1,681,025	15,477,494	17,158,519	458,106
TOTAL NET ASSETS	\$ 9,942,930	\$ 20,396,399	\$ 30,339,329	\$ 63,677,183

See accompanying notes to financial statements.

Shiawassee County, Michigan

STATEMENT OF ACTIVITIES

Year Ended December 31, 2005

					Net (Expense) Revenue and Changes in Net Assets			
Functions/Programs	Expenses	Program Revenues			Primary Government			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 8,013,850	\$ 2,690,122	\$ 1,646,293	\$ -	\$ (3,677,435)	\$ -	\$ (3,677,435)	\$ -
Public safety	5,711,380	1,912,713	906,122	-	(2,892,545)	-	(2,892,545)	-
Public works	24,924	39,895	-	-	14,971	-	14,971	-
Health and welfare	5,375,717	974,276	2,885,727	-	(1,515,714)	-	(1,515,714)	-
Community and economic development	703,283	46,087	4,800	-	(652,396)	-	(652,396)	-
Recreation and cultural	68,282	2,910	8,168	-	(57,204)	-	(57,204)	-
Other	616,424	-	-	-	(616,424)	-	(616,424)	-
Interest on long-term debt	24,283	-	-	-	(24,283)	-	(24,283)	-
Total governmental activities	20,538,143	5,666,003	5,451,110	-0-	(9,421,030)	-0-	(9,421,030)	-0-
Business-type activities								
Delinquent tax	-	607,153	-	-	-	607,153	607,153	-
Medical Care Facility	13,025,806	9,710,502	-	-	-	(3,315,304)	(3,315,304)	-
Other	102,943	149,847	-	-	-	46,904	46,904	-
Total business-type activities	13,128,749	10,467,502	-0-	-0-	-0-	(2,661,247)	(2,661,247)	-0-
Total primary government	<u>\$ 33,666,892</u>	<u>\$ 16,133,505</u>	<u>\$ 5,451,110</u>	<u>\$ -0-</u>	(9,421,030)	(2,661,247)	(12,082,277)	-0-
Component units								
Road Commission	\$ 7,023,199	\$ 1,132,833	\$ 7,875,739	\$ 778,444	-	-	-0-	2,763,817
Drain Commission	1,089,131	59	399,543	2,399,136	-	-	-0-	1,709,607
County Airport	89,297	57,955	24,367	1,124,715	-	-	-0-	1,117,740
Council on Aging	754,920	96,095	434,082	51,499	-	-	-0-	(173,244)
Total component units	<u>\$ 8,956,547</u>	<u>\$ 1,286,942</u>	<u>\$ 8,733,731</u>	<u>\$ 4,353,794</u>	-0-	-0-	-0-	5,417,920
General revenues								
Property taxes					10,373,308	3,123,405	13,496,713	244,923
State shared revenue					107,830	-	107,830	-
Investment earnings					336,027	288,997	625,024	92,210
Miscellaneous					37,969	-	37,969	40,256
Special item - Loss on equipment disposal					-	-	-	(142,089)
Transfers					612,633	(612,633)	-0-	-
Total general revenues, transfers, and special item					11,467,767	2,799,769	14,267,536	235,300
Change in net assets					2,046,737	138,522	2,185,259	5,653,220
Restated net assets, beginning of the year					8,359,687	20,257,877	28,617,564	52,113,306
Prior period adjustments					(463,494)	-	(463,494)	5,910,657
Net assets, end of the year					<u>\$ 9,942,930</u>	<u>\$ 20,396,399</u>	<u>\$ 30,339,329</u>	<u>\$ 63,677,183</u>

See accompanying notes to financial statements.

Shiawassee County, Michigan

GOVERNMENTAL FUNDS BALANCE SHEET

December 31, 2005

	General	Revenue Sharing Reserve	Health Department
ASSETS			
Cash and cash equivalents	\$ 1,227,196	\$ 616,338	\$ 246,183
Receivables			
Taxes	7,760,789	-	-
Accounts	23,829	-	355,807
Inventories	-	-	56,482
Due from other funds	139,546	2,759,136	-
Due from other governmental units			
Federal/State	851,781	-	6,361
Local	15,000	-	-
Advances to other governmental units	170,000	-	-
TOTAL ASSETS	\$ 10,188,141	\$ 3,375,474	\$ 664,833
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 214,348	\$ -	\$ 116,962
Accrued liabilities	344,679	-	41,668
Due to other funds	2,759,136	-	16,940
Deferred revenue	5,533,079	-	57,938
Advances from other governmental units	-	-	-
TOTAL LIABILITIES	8,851,242	-0-	233,508
FUND BALANCES			
Reserved for			
Advances to other governmental units	170,000	-	-
Park outlay	3,728	-	-
Unreserved			
Designated for capital improvement	-	-	-
Undesignated, reported in			
General fund	1,163,171	-	-
Special revenue funds	-	3,375,474	431,325
TOTAL FUND BALANCES	1,336,899	3,375,474	431,325
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,188,141	\$ 3,375,474	\$ 664,833

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 2,450,314	\$ 4,540,031
-	7,760,789
65,907	445,543
-	56,482
23,703	2,922,385
108,552	966,694
-	15,000
-	170,000
<u>\$ 2,648,476</u>	<u>\$ 16,876,924</u>

\$ 50,025	\$ 381,335
37,405	423,752
23,703	2,799,779
-	5,591,017
30,000	30,000
<u>141,133</u>	<u>9,225,883</u>
-	170,000
-	3,728
366,070	366,070
-	1,163,171
<u>2,141,273</u>	<u>5,948,072</u>
<u>2,507,343</u>	<u>7,651,041</u>
<u>\$ 2,648,476</u>	<u>\$ 16,876,924</u>

Shiawassee County, Michigan

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

December 31, 2005

Total fund balance - governmental funds **\$ 7,651,041**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 5,932,883	
Accumulated depreciation is	<u>(2,655,135)</u>	
Capital assets, net		3,277,748

Long-term assets are not available to pay for current period expenditures
and are therefore deferred in the funds. These consist of:

Deferred revenue		1,456
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Long-term liabilities are not due and payable in the current period and
therefore are not reported in the Governmental Funds Balance Sheet.
Long-term liabilities at year-end consist of:

Direct County obligations	518,887	
Accrued interest payable	3,356	
Compensated absences	<u>465,072</u>	
		<u>(987,315)</u>

Net assets of governmental activities **\$ 9,942,930**

Shiawassee County, Michigan

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2005

	General	Revenue Sharing Reserve	Health Department
REVENUES			
Taxes	\$ 10,373,439	\$ -	\$ -
Licenses and permits	170,067	-	253,252
Intergovernmental	2,522,231	-	2,063,410
Charges for services	2,660,955	-	273,943
Fines and forfeits	266,712	-	-
Interest and rents	313,560	1,386	-
Other	239,181	-	-
TOTAL REVENUES	16,546,145	1,386	2,590,605
EXPENDITURES			
Current			
General government	7,896,568	-	-
Public safety	4,979,430	-	-
Public works	137,286	-	-
Health and welfare	872,324	2,585	2,937,416
Community and economic development	171,235	-	-
Recreation and cultural	19,484	-	-
Other	616,424	-	-
Capital outlay	2,997	-	50,396
Debt service	68,356	-	26,551
TOTAL EXPENDITURES	14,764,104	2,585	3,014,363
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,782,041	(1,199)	(423,758)
OTHER FINANCING SOURCES (USES)			
Debt proceeds	-	-	50,396
Transfers in	2,007,145	2,589,669	353,798
Transfers out	(3,413,827)	(1,259,095)	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,406,682)	1,330,574	404,194
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	375,359	1,329,375	(19,564)
Fund balances, beginning of year	961,540	2,092,068	450,889
Prior period adjustment	-	(45,969)	-
Fund balances, end of year	\$ 1,336,899	\$ 3,375,474	\$ 431,325

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 10,373,439
-	423,319
707,058	5,292,699
1,722,504	4,657,402
8,900	275,612
44,580	359,526
363,195	602,376
2,846,237	21,984,373
191,618	8,088,186
950,920	5,930,350
-	137,286
1,567,778	5,380,103
532,048	703,283
19,749	39,233
-	616,424
137,522	190,915
-	94,907
3,399,635	21,180,687
(553,398)	803,686
-	50,396
519,456	5,470,068
(184,513)	(4,857,435)
334,943	663,029
(218,455)	1,466,715
2,725,798	6,230,295
-	(45,969)
\$ 2,507,343	\$ 7,651,041

Shiawassee County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2005

Net change in fund balances - total governmental funds **\$ 1,466,715**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 939,795	
Depreciation expense	<u>(405,527)</u>	
Excess of capital outlay over depreciation expense		534,268

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Deferred revenue	(12,126)
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond principal retirements	70,290	
Bond proceeds	<u>(50,396)</u>	
		19,894

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	334	
Decrease in accrued compensated absences	<u>37,652</u>	
		<u>37,986</u>

Change in net assets of governmental activities **\$ 2,046,737**

See accompanying notes to financial statements.

Shiawassee County, Michigan

Proprietary Funds

STATEMENT OF NET ASSETS

December 31, 2005

	Business-type Activities			
	Delinquent Tax Revolving	Medical Care Facility	Nonmajor Enterprise Funds	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 5,751,253	\$ 7,167,689	\$ 140,567	\$ 13,059,509
Accounts receivable	-	955,181	-	955,181
Taxes receivable	-	2,921,780	-	2,921,780
Delinquent taxes receivable	2,063,314	-	-	2,063,314
Total current assets	7,814,567	11,044,650	140,567	18,999,784
Noncurrent assets				
Capital assets, net of accumulated depreciation	-	2,609,932	2,729	2,612,661
TOTAL ASSETS	7,814,567	13,654,582	143,296	21,612,445
LIABILITIES				
Current liabilities				
Accounts payable	20,302	190,785	7,343	218,430
Accrued liabilities	-	875,010	-	875,010
Due to other funds	122,606	-	-	122,606
TOTAL LIABILITIES	142,908	1,065,795	7,343	1,216,046
NET ASSETS				
Invested in capital assets	-	2,609,932	2,729	2,612,661
Restricted for employee benefits	-	2,306,244	-	2,306,244
Unrestricted	7,671,659	7,672,611	133,224	15,477,494
TOTAL NET ASSETS	\$ 7,671,659	\$ 12,588,787	\$ 135,953	\$ 20,396,399

See accompanying notes to financial statements.

Shiawassee County, Michigan

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2005

	Business-type Activities			
	Delinquent Tax Revolving	Medical Care Facility	Nonmajor Enterprise Funds	Total
OPERATING REVENUES				
Interest and penalties on delinquent taxes	\$ 607,153	\$ -	\$ -	\$ 607,153
Charges for services	-	9,710,502	149,847	9,860,349
TOTAL OPERATING REVENUES	607,153	9,710,502	149,847	10,467,502
OPERATING EXPENSES				
Personal services and fringes	-	9,884,224	-	9,884,224
Operating supplies	-	662,187	102,397	764,584
Contracted services	-	1,232,081	-	1,232,081
Depreciation	-	366,723	546	367,269
Miscellaneous	-	880,591	-	880,591
TOTAL OPERATING EXPENSES	-0-	13,025,806	102,943	13,128,749
OPERATING INCOME (LOSS)	607,153	(3,315,304)	46,904	(2,661,247)
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental transfers in	-	1,170,115	-	1,170,115
Intergovernmental transfers (out)	-	(1,170,115)	-	(1,170,115)
Interest revenue	110,561	178,436	-	288,997
Property taxes	-	3,123,405	-	3,123,405
TOTAL NONOPERATING REVENUES (EXPENSES)	110,561	3,301,841	-0-	3,412,402
INCOME (LOSS) BEFORE TRANSFERS	717,714	(13,463)	46,904	751,155
TRANSFERS IN (OUT)				
Transfers in	-	31,731	-	31,731
Transfers out	(644,364)	-	-	(644,364)
TOTAL TRANSFERS IN (OUT)	(644,364)	31,731	-0-	(612,633)
CHANGE IN NET ASSETS	73,350	18,268	46,904	138,522
Net assets, beginning of year	7,598,309	12,570,519	89,049	20,257,877
Net assets, end of year	<u>\$ 7,671,659</u>	<u>\$ 12,588,787</u>	<u>\$ 135,953</u>	<u>\$ 20,396,399</u>

See accompanying notes to financial statements.

Shiawassee County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2005

	Business-type Activities			
	Delinquent Tax Revolving	Medical Care Facility	Nonmajor Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 232,536	\$10,024,751	\$ 149,847	\$ 10,407,134
Cash paid to suppliers	44,039	(2,973,473)	(96,384)	(3,025,818)
Cash paid for employees	-	(9,918,606)	-	(9,918,606)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	276,575	(2,867,328)	53,463	(2,537,290)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Capital purchases	-	(339,246)	-	(339,246)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Property taxes	-	3,123,405	-	3,123,405
Transfers in	-	31,731	-	31,731
Transfers out	(644,364)	-	-	(644,364)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(644,364)	3,155,136	-0-	2,510,772
CASH FLOWS FROM INVESTING ACTIVITIES				
Maturity of investments	55,372	-	-	55,372
Interest revenue	110,561	178,436	-	288,997
NET CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	165,933	178,436	-0-	344,369
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(201,856)	126,998	53,463	(21,395)
Cash and cash equivalents, beginning of year	5,953,109	7,040,691	87,104	13,080,904
Cash and cash equivalents, end of year	<u>\$ 5,751,253</u>	<u>\$ 7,167,689</u>	<u>\$ 140,567</u>	<u>\$ 13,059,509</u>

See accompanying notes to financial statements.

Shiawassee County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended December 31, 2005

	Business-type Activities			
	Delinquent Tax Revolving	Medical Care Facility	Nonmajor Enterprise Funds	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 607,153	\$ (3,315,304)	\$ 46,904	\$ (2,661,247)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	-	366,723	546	367,269
Loss on disposal of capital asset	-	36,882	-	36,882
(Increase) decrease in receivables	(327,756)	277,367	-	(50,389)
(Increase) in due from other funds	(46,861)	-	-	(46,861)
Increase in due to other funds	169,467	-	-	169,467
Increase (decrease) in accounts payable	(53)	(198,614)	6,013	(192,654)
(Decrease) in accrued liabilities	(125,375)	(34,382)	-	(159,757)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 276,575</u>	<u>\$ (2,867,328)</u>	<u>\$ 53,463</u>	<u>\$ (2,537,290)</u>

Shiawassee County, Michigan

Fiduciary Funds

STATEMENT OF NET ASSETS

December 31, 2005

	Agency Funds
ASSETS	
Cash and cash equivalents	<u>\$ 1,806,660</u>
LIABILITIES	
Undistributed collections payable	\$ 278,514
Due to other governmental units	
Federal/State	176,260
Local	474,209
Due to individuals and agencies	<u>877,677</u>
TOTAL LIABILITIES	<u>\$ 1,806,660</u>

See accompanying notes to financial statements.

Shiawassee County, Michigan

Component Unit Funds

COMBINING STATEMENT OF NET ASSETS

December 31, 2005

	Road Commission	Drainage Districts	County Airport
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,406,957	\$ 1,624,534	\$ 8,364
Investments	2,498,611	-	-
Receivables			
Interest	-	2,002	-
Taxes	-	-	-
Special assessments	-	3,781,935	-
Current portion of lease receivable	-	67,388	-
Due from other governmental units	1,272,664	-	-
Inventories	309,849	-	-
Total current assets	5,488,081	5,475,859	8,364
Noncurrent assets			
Cash and cash equivalents - restricted	-	628,086	-
Investments	-	-	-
Lease receivable	-	836,980	-
Capital assets not being depreciated	4,512,758	1,636,914	-
Capital assets, net of accumulated depreciation	42,838,797	6,281,795	1,669,585
Total noncurrent assets	47,351,555	9,383,775	1,669,585
TOTAL ASSETS	52,839,636	14,859,634	1,677,949
LIABILITIES			
Current liabilities			
Accounts payable	51,105	7,147	1,750
Other accrued liabilities	49,377	-	683
Due to other governmental units	-	15,000	-
Accrued interest payable	4,206	25,100	-
Deferred revenue	-	-	-
Current portion of compensated absences	67,818	-	-
Current portion of long-term debt	155,000	464,164	6,277
Total current liabilities	327,506	511,411	8,710
Noncurrent liabilities			
Advances from other governmental units	-	170,000	-
Advances from State	409,567	-	-
Noncurrent portion of compensated absences	203,455	-	-
Noncurrent portion of long-term debt	325,000	4,215,544	6,190
Total noncurrent liabilities	938,022	4,385,544	6,190
TOTAL LIABILITIES	1,265,528	4,896,955	14,900
NET ASSETS			
Invested in capital assets, net of related debt	46,871,555	4,764,067	1,657,118
Restricted for County Roads	4,702,553	-	-
Restricted for capital improvement	-	5,198,612	-
Unrestricted	-	-	5,931
TOTAL NET ASSETS	\$ 51,574,108	\$ 9,962,679	\$ 1,663,049

See accompanying notes to financial statements.

Council on Aging	Total Component Units
\$ 246,456	\$ 3,286,311
-	2,498,611
-	2,002
221,573	221,573
-	3,781,935
-	67,388
39,622	1,312,286
-	309,849
507,651	11,479,955
-	628,086
182,841	182,841
-	836,980
-	6,149,672
25,172	50,815,349
208,013	58,612,928
715,664	70,092,883
-	60,002
-	50,060
-	15,000
-	29,306
238,317	238,317
-	67,818
-	625,441
238,317	1,085,944
-	170,000
-	409,567
-	203,455
-	4,546,734
-0-	5,329,756
238,317	6,415,700
25,172	53,317,912
-	4,702,553
-	5,198,612
452,175	458,106
\$ 477,347	\$ 63,677,183

Shiawassee County, Michigan

Component Unit Funds

STATEMENT OF ACTIVITIES

Year Ended December 31, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Road Commission	\$ 7,023,199	\$ 1,132,833	\$ 7,875,739	\$ 778,444	\$ 2,763,817
Drainage Districts	1,089,131	59	399,543	2,399,136	1,709,607
County Airport	89,297	57,955	24,367	1,124,715	1,117,740
Council on Aging	754,920	96,095	434,082	51,499	(173,244)
TOTALS	<u>\$ 8,956,547</u>	<u>\$ 1,286,942</u>	<u>\$ 8,733,731</u>	<u>\$ 4,353,794</u>	5,417,920
General revenues					
Investment earnings					92,210
Taxes					244,923
Other					40,256
Special item - Loss on equipment disposal					<u>(142,089)</u>
Total general revenues and special item					<u>235,300</u>
CHANGE IN NET ASSETS					5,653,220
Restated net assets, beginning of year					52,113,306
Prior period adjustments					<u>5,910,657</u>
Net assets, end of year					<u>\$ 63,677,183</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Shiawassee, Michigan was incorporated in 1822 and covers an area of approximately 551 square miles with the County seat located in the City of Corunna. The County operates under an elected Board of Commissioners and provides services to its more than 72,000 residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services.

The financial statements of the County have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to County governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing* No. 5, these financial statements present the financial activities of Shiawassee County (primary government) and its component units, except as noted below. The component units described in Sections 2 and 3 below should be included in the County's reporting entity because of the significance of their operational or financial relationship with the County. Blended component units, although legally separate entities are in substance, part of the County's operations, so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

2. Blended Component Units

The Shiawassee County Building Authority is governed by a three (3) member Board appointed by the County Board of Commissioners. Its sole purpose is to finance and construct the County's public buildings. It is reported in the Debt Service fund category.

The Shiawassee County Economic Development Corporation (EDC) was established to provide community and economic development services. The EDC administered a significant amount of economic development grant money that was received by the County.

3. Discretely Presented Component Units

These component units are reported in a separate column to emphasize that, while legally separate, Shiawassee County remains financially accountable for these entities, or the nature and significance of the relationship between these entities and Shiawassee County is such that exclusion of these entities would render the financial statements misleading or incomplete.

The Shiawassee County Road Commission is responsible for the maintenance and construction of the County road system. The Road Commission operations are financed primarily from the State distribution of gas and weight taxes, Federal financial assistance, and contributions from other local government units within the County. The three (3) Board Members of the Road Commission are elected. This component unit is audited individually and complete financial statements may be obtained from the Road Commission's administrative office.

The Shiawassee County Council on Aging is a non-profit corporation responsible for planning and coordinating services for senior citizens. The Board is composed of fifteen (15) members, of which two (2) are County Commissioners.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Discretely Presented Component Units - continued

The Shiawassee County Drainage Districts comes under the jurisdiction of the Shiawassee County Drain Commissioner. This includes planning, developing, and maintaining surface water drainage systems. A complete file of finance, construction, and maintenance is maintained for each of the drains. The Drain Commissioner has authority to spend up to \$2,500 per mile on drain maintenance and may borrow up to \$300,000 from any source to provide for maintenance of a drain without Board of Commissioner approval and without going through the Municipal Finance Division, State of Michigan. The Drain Commissioner has authority to levy special assessments on properties benefiting from maintenance. The Drainage Districts are financially accountable to the County because bond issuances greater than \$300,000 require County authorization and are backed by the full faith and credit of the County.

The County Airport is classified as a joint venture with another governmental unit. The details related to this joint venture agreement are disclosed below.

4. Joint Ventures

The County participates in the following activities, which are considered to be joint ventures in relation to the County due to the formation of an organization by contractual agreement between two (2) or more participants that maintain joint control, financial interest, and financial responsibility.

Airport Board - Shiawassee County, along with the Cities of Owosso and Corunna and Owosso and Caledonia Townships have entered into an agreement which created the Shiawassee Airport Board. The Airport Board is composed of one (1) member from each of the member municipalities. The Airport is expected to be self-sufficient but based on a "10 Year Funding Model" approved by the Board of each participating municipality shall make a direct appropriation to cover operations and development costs. The percentage share for the funding model for each municipality is Shiawassee County and the City of Owosso 33%, Owosso and Caledonia Townships 13%, and the City of Corunna 8%.

The financial activities of the Airport Board are reported in the County's audited financial statements as a discretely presented component unit due to the County being responsible for the receipt and disbursement of the Board's funds.

5. Jointly Governed Organizations

The County participates in the following activities which are considered to be jointly governed organizations in relation to the County due to there being no on-going financial interest or responsibility.

Genesee-Lapeer-Shiawassee Planning Commission - Shiawassee County, in conjunction with two (2) other Counties, has entered into an agreement which created the Genesee-Lapeer-Shiawassee Planning Commission. This organization's Board is composed of 16 members, of which one (1) is appointed by Shiawassee County. The County has no ongoing financial responsibility.

Genesee-Shiawassee Workforce Development Board - Shiawassee County, in conjunction with two (2) other Counties, has entered into an agreement which created the Genesee-Shiawassee Workforce Development Board. This organization's Board is composed of 35 members, of which five (5) are appointed by Shiawassee County. The County has no ongoing financial responsibility other than the potential liability related to inappropriate use of funds.

Valley Area Agency on Aging - Shiawassee County, in conjunction with the counties of Lapeer and Genesee and the City of Flint, which administers grant revenue for the Shiawassee Council on Aging, created the Valley Area Agency on Aging. The Board is composed of 21 members of which five (5) are appointed by Shiawassee County. The County has no ongoing financial responsibility. The Organization provides comprehensive services to senior citizens residing in the member counties.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Related Organizations

The Shiawassee County Community Mental Health Authority - The Shiawassee County Community Mental Health Authority operates under the provisions of PA 258 of 1974, as amended. The Authority provides funding for services in the area of mental illness, development disabilities, and other related mental health needs for the residents of the County of Shiawassee. For the year ended December 31, 2005, the County's contribution to Mental Health Services was \$200,000.

7. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the County's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The major funds of the County are:

- a. The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Revenue Sharing Reserve Fund was established to account for the shift of State Revenue Sharing dollars from State to local funding.
- c. The Health Department Fund is used to report activities related to various personal and environmental health services provided to County residents. These activities are financed primarily by Federal and State grants, user charges, and other local revenues.
- d. The Delinquent Tax Fund accounts for money advanced by the County to other local taxing units and various county funds to pay for their delinquent real property taxes. Revenues are generated by the collection of the delinquent real property taxes, penalties, and interest.

Shiawassee County, Michigan
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

- e. The Medical Care Facility Fund is used to report activities related to providing long-term care services to the County residents. These activities are financed primarily through user charges (Medicaid, Medicare, private, etc.).

8. Measurement Focus

The government-wide, proprietary, and fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for fiduciary funds since assets equal liabilities.

9. Basis of Accounting

Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Cash and Cash Equivalents

The County pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the County's investments. Cash equivalents consist of temporary investments in certificates of deposit, and U.S. Government Securities with a maturity from date of purchase of 90 days or less.

11. Cash and Cash Equivalents - Restricted

The Drainage Districts (Component Unit) Fund has restricted cash and cash equivalents that represent unspent bond proceeds that are limited as to use for future capital improvements.

12. Investments

Investments during the year consisted of certificates of deposit and U.S. Government Securities with original maturities of greater than 90 days. Investments are recorded at market value in accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

13. Receivables

Receivables consist of amounts due from governmental units for various financial assistance programs and accounts receivable related to charges for services.

14. Inventories

Inventories are stated at cost on a first in/first out basis. Inventory consists of vaccines received from the State of Michigan. Vaccine inventory on hand at year-end have been reported as deferred revenue.

Inventories of road material and equipment parts are recognized using the consumption method (inventories are recorded as expenditures when they are used). Inventories are stated at average cost.

15. Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

Capital assets include land, buildings, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and component unit columns. Capital assets are those with an initial individual cost of \$1,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	30 - 50 years
Equipment	3 - 7 years
Vehicles	3 - 5 years
Drain infrastructure	60 years

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**15. Capital Assets - continued****ROAD COMMISSION - COMPONENT UNIT**

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges and similar items) are reported in the road commission (component unit) operating fund in the government-wide financial statements. Capital assets are defined by Shiawassee County Road Commission as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical costs or estimated historical cost of purchase or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

GASB Statement No. 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated, for fiscal years ending after June 30, 1980, be inventoried and capitalized.

Depreciation is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other capital assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings	30 - 50 years
Road equipment	5 - 8 years
Shop equipment	10 years
Engineering equipment	4 - 10 years
Office equipment	4 - 10 years
Infrastructure - roads	5 - 30 years
Infrastructure - bridges	12 - 50 years

16. Advances to Other Funds/Component Units

Long-term advances from certain funds to other funds or component units are made to finance new activities during their initial operations and to finance capital acquisitions. For the governmental fund types, fund balance is reserved for the amount of advances made to other funds to reflect the fund balance not currently available for expenditure.

17. Interfund Transactions

During the course of normal operations the County has numerous transactions between funds and component units including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

18. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

19. Accrued Compensated Absences

In accordance with County personnel policies and/or contracts negotiated with the various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused compensated absences under formulas and conditions specified in the respective personnel policies and/or contracts.

Vested compensated absences earned as of December 31, 2005, including related payroll taxes, are recorded in the government-wide financial statements.

20. Deferred Revenue

Deferred revenue recorded in the General Fund consists of the 2005 tax levy that was levied in 2005 and will be collected in 2005 and is not available for current year expenditures. Drainage Districts consists of amounts related to long-term special assessment tax receivables recorded at the fund level that are not available to finance current period expenditures and are therefore deferred. Health department deferred revenue offsets the value of vaccine inventory on hand.

21. Budgets and Budgetary Accounting

Budgets are to be adopted on a basis consistent with the modified accrual basis used to reflect actual results in the Fund financial statements. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are to be adopted for all required governmental fund types.

The County employs the following procedures in establishing budgets:

- a. Prior to September 7, the County departments, in conjunction with the Coordinator's office, prepare and submit their proposed operating budgets to the finance committee for the fiscal year commencing the following January 1. The operating budgets include proposed expenditures and resources to finance them.
- b. A Public Hearing is held to obtain taxpayers' comments.
- c. Prior to December 31, the budgets are legally enacted through passage of an annual budget resolution.
- d. The budgets are legally adopted at the activity level for the General fund and the fund level for the Special Revenue funds. Budgetary transfers between funds and amendments to total fund budgets are not permitted without Board approval. For control purposes, all funds' budgets are maintained at the activity and account level. The Coordinator is authorized to transfer budget amounts between accounts.
- e. The County does not employ encumbrance accounting as an extension of formula budgetary integration in the governmental funds. All unexpended appropriations lapse at year-end.
- f. Applicable budgeted amounts are reported as originally adopted or as amended by the Board of Commissioners during the year. Individual amendments were not material in relation to the original appropriations that were adopted.

22. Comparative Data

Comparative data for the year has not been presented in the accompanying financial statements since the inclusion of comparative data would make the statements unduly complex and difficult to read.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**23. Federal Programs**

Federal Programs are accounted for in the funds to which the programs pertain. The County has not integrated its Single Audit Reports and financial data as part of the financial statements. The Single Audit Reports and financial data will be issued under separate cover as supplementary information to the financial statements.

NOTE B: POOLING OF CASH AND INVESTMENTS AND CASH OVERDRAFT

The County utilizes pooled cash accounts for approximately thirty-five (35) funds. Cash overdrafts of individual funds as of December 31, 2005, are as follows:

<u>Fund</u>	<u>Pooled Cash Overdraft</u>	<u>Nonpooled Cash and Cash Equivalents</u>	<u>Financial Statements</u>
PRIMARY GOVERNMENT			
Friend of the Court	\$(269,881)	\$ 608,047	\$ 338,166
Child Care - Probate	<u>(20,393)</u>	<u>1,921</u>	<u>(18,472)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$(290,274)</u>	<u>\$ 609,968</u>	<u>\$ 319,694</u>

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS

The County utilizes various pooled cash accounts and investments for approximately thirty-five (35) funds. The County's pooled cash accounts consist of a common checking and money market accounts.

The County's pooled cash accounts and investments are utilized by the General Fund, Special Revenue Funds, Capital Project Funds, Debt Service Funds, Enterprise Funds, Trust and Agency Funds, and the Component Unit funds. Each fund's portion of these pooled accounts is included in the cash and cash equivalents caption on the applicable balance sheet or statement of net assets.

The other funds of the County utilize separate savings and interest bearing checking accounts. In addition, certificates of deposit, mutual funds, commercial paper, and U.S. Government Securities are held separately by several of the County's funds.

In accordance with Michigan Compiled Laws, the County is authorized to invest in the following investment vehicles:

- Bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
- Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

- d. United States government or Federal agency obligation repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

As of December 31, 2005, the carrying amounts and bank balance for each type of bank account are as follows:

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking	\$ 4,389,923	\$ 4,693,414
Savings accounts	7,040,993	7,040,993
Certificates of deposit	<u>935,387</u>	<u>935,387</u>
Total primary government	12,366,303	12,669,794
COMPONENT UNITS		
Checking	1,951,460	2,159,989
Savings	1,961,387	1,963,318
Certificates of deposit	<u>2,498,611</u>	<u>2,498,611</u>
Total component units	6,411,458	6,621,918
FIDUCIARY FUNDS		
Checking	1,731,342	1,741,817
Savings	<u>75,318</u>	<u>75,318</u>
Total fiduciary funds	<u>1,806,660</u>	<u>1,817,135</u>
TOTAL REPORTING ENTITY	<u>\$20,584,421</u>	<u>\$21,108,847</u>

Deposits of the County are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the County. As of December 31, 2005, the primary government and component unit accounts were insured by the FDIC or FSLIC for \$1,037,334 and the amount of \$20,071,513 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the County held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Shiawassee County, Michigan
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

As of December 31, 2005 the carrying amounts and market values for each investment are as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Moody's/ S & P Rating</u>	<u>Weighted Average Maturity</u>
PRIMARY GOVERNMENT				
Insured or registered for which the securities are held by the County's agent in the County's name -				
Public Funds Investment Trust	\$ 2,435	\$ 2,435	AAAm	29 days
Government Op MM Fund	5,216,045	5,216,045	Aaa	32 days
Governmental Cash Investment	<u>2,892</u>	<u>2,892</u>	P1	21 days
TOTAL PRIMARY GOVERNMENT	5,221,372	5,221,373		
COMPONENT UNITS				
Insured or registered for which the securities are held by the County's agent in the County's name -				
Edward Jones - Money Market Fund	\$ 35,467	\$ 35,467	AAA	N/A
General Motors Acceptance Corp - bond	7,290	7,290	BB	14 years
Master Asset Securitization - bond	19,625	19,625	AAA	27 years
Washington Mutual Mortgage - bond	14,419	14,419	AAA	27 years
Countrywide Home Loan Mortgage - bond	13,538	13,538	AAA	29 years
Federal National Mortgage Association - bond	990	990	AAA	22 years
Federal Home Loan Mortgage - bond	<u>91,512</u>	<u>91,512</u>	AAA	26 years
TOTAL COMPONENT UNITS	<u>182,841</u>	<u>182,841</u>		
TOTAL REPORTING ENTITY	<u>\$ 5,404,213</u>	<u>\$ 5,404,214</u>		

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of December 31, 2005, rating information on the County's investments is presented above.

Interest Rate Risk

The County will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designing its portfolio with the objective of obtaining a rate of return through the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

Concentration of Credit Risk

The County will minimize a concentration of credit risk, which is the risk of loss attributed to the magnitude of the County's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the combined balance sheet based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of December 31, 2005:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$17,599,540	\$ 3,286,311	\$ 1,806,660	\$22,692,511
Cash and cash equivalents - restricted	-	628,086	-	628,086
Investments	-	<u>2,681,452</u>	-	<u>2,681,452</u>
	<u>\$17,599,540</u>	<u>\$ 6,595,849</u>	<u>\$ 1,806,660</u>	<u>\$26,002,049</u>

The primary government cash and cash equivalents caption on the combined balance sheet include \$11,865 in imprest cash. The component unit cash and cash equivalents caption include \$1,550 of imprest cash.

NOTE D: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental and internal service funds, enterprise funds, and component units have been eliminated.

Transfers to General Fund from:	
Revenue Sharing Reserve fund	\$ 1,227,364
Delinquent Tax fund	644,364
Nonmajor governmental funds	<u>135,417</u>
Total transfers to General Fund from other funds	<u>\$ 2,007,145</u>
Transfer to Revenue Sharing Reserve fund:	
General Fund	<u>\$ 2,589,669</u>
Transfer to Health Department fund from:	
General Fund	<u>\$ 353,798</u>
Transfer to Medical Care Facility fund from:	
Revenue Sharing Reserve fund	<u>\$ 31,731</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 470,360
Nonmajor governmental funds	<u>49,096</u>
Total transfers to nonmajor governmental funds	<u>\$ 519,456</u>

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE E: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details interfund receivables and payables related to the primary government at December 31, 2005:

Due to General Fund from:	
Delinquent Tax fund	\$ 122,606
Health Department fund	<u>16,940</u>
	<u>\$ 139,546</u>
Due to Revenue Sharing Reserve fund from:	
General Fund	<u>\$ 2,759,136</u>
Due to nonmajor governmental funds from:	
Nonmajor governmental funds	<u>\$ 23,703</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE F: ADVANCES RECEIVABLE AND PAYABLE

The following schedule details advances receivable and payable between the primary government and component unit at December 31, 2005:

Advance from General Fund to:	
Component unit - Drainage Districts	<u>\$ 170,000</u>

The advances from the General Fund to Drainage Districts were made for working capital.

NOTE G: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005 was as follows:

Primary Government

	Restated Balance Jan. 1, 2005	Additions	Deletions	Balance Dec. 31, 2005
Governmental activities				
Capital assets not being depreciated				
Land	\$ 540,000	\$ -	\$ -	\$ 540,000
Capital assets being depreciated				
Land improvements	65,971	7,000	-	72,971
Building and improvements	3,315,394	179,891	-	3,495,285
Office and computer equipment	1,015,241	484,954	(455,835)	1,044,360
Vehicles	<u>649,317</u>	<u>267,950</u>	<u>(137,000)</u>	<u>780,267</u>
Subtotal	5,045,923	939,795	(592,835)	5,392,883

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE G: CAPITAL ASSETS - CONTINUED

	Restated Balance Jan. 1, 2005	Additions	Deletions	Balance Dec. 31, 2005
Governmental activities - continued				
Less accumulated depreciation				
Land improvements	\$(13,707)	\$(5,264)	\$ -	\$(18,971)
Building and improvements	(1,798,394)	(39,505)	-	(1,837,899)
Office and computer equipment	(783,231)	(104,770)	441,380	(446,621)
Vehicles	(247,111)	(165,853)	61,320	(351,644)
Subtotal	(2,842,443)	(315,392)	502,700	(2,655,135)
Net capital assets being depreciated	2,203,480	624,403	(90,135)	2,737,748
Capital assets, net	\$ 2,743,480	\$ 624,403	\$(90,135)	\$ 3,277,748

The current year depreciation expense of \$315,392 has been adjusted by \$90,135 for the disposal of capital assets during the year, in accordance with GASB Statement No. 34 implementation guide which states that immaterial losses may be handled as an adjustment to the current period's depreciation expense.

Business-type activities

Capital assets being depreciated	\$ 97,991	\$ 17,347	\$ -	\$ 115,338
Land improvements	3,868,656	3,000	-	3,871,656
Buildings and improvements	1,707,088	318,899	(76,505)	1,949,482
Office and computer equipment				
Subtotal	5,673,735	339,246	(76,505)	5,936,476
Less accumulated depreciation				
Land improvements	(62,513)	(5,215)	-	(67,728)
Buildings and improvements	(1,976,783)	(185,945)	-	(2,162,728)
Office and computer equipment	(956,873)	(176,109)	39,623	(1,093,359)
Subtotal	(2,996,169)	(367,269)	39,623	(3,323,815)
Capital assets, net	\$ 2,677,566	\$(28,023)	\$(36,882)	\$ 2,612,661

Depreciation expense was charged to activities of the primary government as follows:

Governmental Activities	
General government	\$ 141,500
Public safety	234,978
Recreation and culture	29,049
	405,527
Business-type Activities	
Medical Care Facility	366,723
Jail Commissary	546
	367,269
	\$ 682,661

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE G: CAPITAL ASSETS - CONTINUED

	Restated Balance <u>Jan. 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Dec. 31, 2005</u>
Component Units				
Component Unit - Road Commission				
Capital assets not being depreciated				
Land and land improvements	\$ 223,248	\$ -	\$ -	\$ 223,248
Infrastructure and improvements	<u>4,009,616</u>	<u>396,714</u>	<u>(116,820)</u>	<u>4,289,510</u>
Subtotal	4,232,864	396,714	(116,820)	4,512,758
Capital assets being depreciated/depleted				
Buildings and improvements	2,078,193	30,535	-	2,108,728
Machinery and equipment	6,117,299	404,358	(353,877)	6,167,780
Office and computer equipment	155,843	7,852	(43,370)	120,325
Infrastructure-roads	46,629,190	3,556,057	(1,251,604)	48,933,643
Infrastructure-bridges	14,496,689	1,716,231	(229,211)	15,983,709
Depletable assets	<u>153,402</u>	<u>-</u>	<u>-</u>	<u>153,402</u>
Subtotal	69,630,616	5,715,033	(1,878,062)	73,467,587
Less accumulated depreciation/depletion				
Buildings and improvements	(736,367)	(52,264)	-	(788,631)
Machinery and equipment	(4,309,710)	(690,385)	328,608	(4,671,487)
Office and computer equipment	(141,188)	(8,608)	43,370	(106,426)
Infrastructure-roads	(19,862,367)	(2,635,049)	1,251,604	(21,245,812)
Infrastructure-bridges	(3,337,519)	(325,513)	-	(3,663,032)
Depletable assets	<u>(153,402)</u>	<u>(-)</u>	<u>-</u>	<u>(153,402)</u>
Subtotal	<u>(28,540,553)</u>	<u>(3,711,819)</u>	<u>1,623,582</u>	<u>(30,628,790)</u>
Net capital assets being depreciated	<u>41,090,063</u>	<u>2,003,214</u>	<u>(254,480)</u>	<u>42,838,797</u>
Capital assets, net	<u>\$45,322,927</u>	<u>\$ 2,399,928</u>	<u>\$(371,300)</u>	<u>\$47,351,555</u>
Component Unit - Drainage Districts				
Capital assets not being depreciated				
Construction in progress	\$ -	\$ 1,636,914	\$ -	\$ 1,636,914
Capital assets being depreciated				
Infrastructure - drains	8,742,883	-	-	8,742,883
Less accumulated depreciation				
Infrastructure - drains	<u>(2,289,923)</u>	<u>(171,165)</u>	<u>-</u>	<u>(2,461,088)</u>
Net capital assets being depreciated	<u>6,452,960</u>	<u>(171,165)</u>	<u>-0-</u>	<u>6,281,795</u>
Capital assets, net	<u>\$ 6,452,960</u>	<u>\$ 1,465,749</u>	<u>\$ -0-</u>	<u>\$ 7,918,709</u>

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE G: CAPITAL ASSETS - CONTINUED

	Restated Balance Jan. 1, 2005	Additions	Deletions	Balance Dec. 31, 2005
Component Units - continued				
Component Unit - County Airport				
Capital assets being depreciated				
Land improvements	\$ 376,199	\$ 1,205,058	\$ -	\$ 1,581,257
Building and improvements	98,419	72,190	-	170,609
Office and computer equipment	9,259	-	-	9,259
Subtotal	483,877	1,277,248	-0-	1,761,125
Less accumulated depreciation				
Land improvements	(29,622)	(22,612)	-	(52,234)
Building and improvements	(36,267)	(1,599)	-	(37,866)
Office and computer equipment	(463)	(977)	-	(1,440)
Subtotal	(66,352)	(25,188)	-0-	(91,540)
Capital assets, net	<u>\$ 417,525</u>	<u>\$ 1,252,060</u>	<u>\$ -0-</u>	<u>\$ 1,669,585</u>
Component Unit - Council on Aging				
Capital assets being depreciated				
Buildings	\$ 69,439	\$ -	\$ -	\$ 69,439
Less accumulated depreciation				
Buildings	(42,531)	(1,736)	-	(44,267)
Capital assets, net	<u>\$ 26,908</u>	<u>\$ (1,736)</u>	<u>\$ -0-</u>	<u>\$ 25,172</u>

NOTE H: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portions) of the County for the year ended December 31, 2005:

	Balance Jan. 1, 2005	Additions	Deletions	Balance Dec. 31, 2005	Amount Due Within One Year
PRIMARY GOVERNMENT					
Governmental activities					
Installment purchase agreements	\$ 520,000	\$ -	\$ 47,219	\$ 472,781	\$ 48,220
Capital leases	18,781	50,396	23,071	46,106	23,386
Accrued compensated absences	502,724	-	37,652	465,072	46,507
TOTAL PRIMARY GOVERNMENT	1,041,505	50,396	107,942	983,959	118,113
COMPONENT UNITS					
Road Commission					
2004 MTF Refunding Bonds	490,000	-	10,000	480,000	155,000
Accrued compensated absences	277,409	-	6,136	271,273	67,818
	767,409	-0-	16,136	751,273	222,818

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE H: LONG-TERM DEBT - CONTINUED

	Balance Jan. 1, 2005	Additions	Deletions	Balance Dec. 31, 2005	Amount Due Within One Year
COMPONENT UNITS - CONTINUED					
Drainage Districts					
Drain bonds and notes	\$ 4,271,627	\$ 371,980	\$ 285,409	\$ 4,358,198	\$ 303,409
Due to other governmental units	<u>810,000</u>	<u>-</u>	<u>488,490</u>	<u>321,510</u>	<u>160,755</u>
	5,081,627	371,980	773,899	4,679,708	464,164
County Airport					
Airport Note	<u>18,428</u>	<u>-</u>	<u>5,961</u>	<u>12,467</u>	<u>6,277</u>
TOTAL COMPONENT UNITS	<u>5,867,464</u>	<u>371,980</u>	<u>795,996</u>	<u>5,443,448</u>	<u>693,259</u>
TOTAL REPORTING ENTITY	<u>\$ 6,908,969</u>	<u>\$ 422,376</u>	<u>\$ 903,938</u>	<u>\$ 6,427,407</u>	<u>\$ 811,372</u>

Significant details regarding outstanding long-term debt (including current portion) are presented below:

PRIMARY GOVERNMENT

Installment Purchase Agreements

\$420,000 Installment Purchase Agreement to refund Griffin Land Contract, dated April 27, 2004, due in annual installments ranging from \$39,237 to 45,685 through May 1, 2014, with an interest rate of 3.84 percent, payable semi-annually.	\$ 381,502
\$100,000 Installment Purchase Agreement, dated April 27, 2004, due in annual installments ranging from \$8,983 to \$11,384 through May 1, 2014, with interest of 6.01 percent, payable semi-annually.	<u>91,279</u>
	<u>\$ 472,781</u>

Capital Leases

\$50,396 Dell Capital lease for 27 Computers and 4 Printers, dated April 28, 2005, due in monthly installments ranging from \$1,550 to \$1,316 through April 28, 2008, with annual interest ranging from 7.60 percent to 7.87 percent, payable monthly.	\$ 38,606
\$7,790 Kyocera Capital lease for 2 Digital Copiers, dated August 15, 2003, due in monthly installments ranging from \$243 to \$261 through July 15, 2006, with annual interest ranging from 14.234 percent to 15.201 percent, payable monthly.	1,763
\$14,753 Dell Capital lease for 3 Servers, dated February 26, 2004, due in monthly installments ranging from \$422 to \$461 through February 26, 2007, with annual interest ranging from 8.744 percent to 9.104 percent, payable monthly.	<u>5,737</u>
	<u>\$ 46,106</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE H: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Accrued compensated absences

In accordance with County personnel policies and/or contracts negotiated with various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts.

The dollar amount of these vested rights including related payroll taxes, amounted to \$243,452 and \$221,620 for vacation and sick, respectively, at December 31, 2005 for a total of \$465,072.

COMPONENT UNIT - ROAD COMMISSION

Accrued compensated absences

In accordance with County Road Commission personnel policies and/or contracts negotiated with various employee groups of the County Road Commission, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes amounted to \$271,273 at December 31, 2005.

Bonds Payable

\$490,000 Michigan Transportation Refunding Bond, Series 2004 A, dated February 18, 2004 due in annual installments ranging from \$155,000 to \$165,000 through May 1, 2008, with interest ranging from 2.0 to 2.3 percent, payable semi-annually.	<u>\$ 480,000</u>
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COMPONENT UNIT - DRAINAGE DISTRICTS

Drain Bonds and Notes

\$1,375,000 Spaulding Drain Bonds, Series 1996, dated March 1, 1996, due in annual installments ranging from \$75,000 to \$100,000 through June 1, 2016, with interest ranging from 5.0 percent to 5.5 percent, payable semi-annually.	\$ 900,000
\$2,265,000 Owosso Drain Bonds, Series 2004, dated December 1, 2004, due in annual installments ranging from \$90,000 to \$125,000 through June 1, 2025, with interest ranging from 3.0 percent to 4.75 percent, payable semi-annually.	2,265,000
\$96,000 Hasford #2 Drain Note, dated March 19, 2004, due in annual installments of \$19,200 through July 1, 2009, with an interest rate of 2.98 percent, payable annually.	76,800
\$237,000 Martin Manor Drain Note, dated June 1, 2003, due in annual installments ranging from \$33,000 to \$34,000 through July 1, 2010, with an interest rate of 3.37 percent, payable annually.	169,000
\$252,089 Woodlawn Drain Note, dated March 26, 1997, due in annual installments of \$25,209 through July 1, 2007, with an interest rate of 5.85 percent, payable annually.	50,418

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE H: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - DRAINAGE DISTRICTS - CONTINUED

\$675,000 Corunna Water Supply System Bonds, Series 1992, dated September 2, 1992, due in annual installments of \$50,000 through May 1, 2011, with interest ranging from 6.00 percent to 6.25 percent, payable semi-annually. \$ 300,000

\$371,980 Byron Water Project Bonds dated January 6, 2006, maturity of which is not yet known. The County draws on the bonds as project expenditures are submitted. At project completion a maturity schedule will be set. Due to the unknown maturity schedule, it is not possible to anticipate the amount of principal and interest that will be due each year. 371,980

\$270,000 Henderson Drain Bonds, Series 1996, dated April 1, 1996, due in annual installments ranging from \$10,000 to \$20,000 through June 1, 2021, with interest ranging from 6.50 percent to 6.875 percent, payable semi-annually. 225,000

\$ 4,358,198

Due to other governmental units

The \$1,810,000 Misteguay Creek Intercounty notes had the Treasurer functions turned over to Genesee County in 2005. Only Shiawassee County's portion is now included in the County's audited financial statements. There is an adjustment of \$138,490 in the financial statements in the current year to reflect the adjustment to only reflect Shiawassee County's portion of the debt in these financial statements. The notes were dated May 1, 2002, due in annual installments of \$160,755 through June 1, 2007 (Shiawassee County portion) with interest ranging from 5.5 to 6.5 percent, payable semi-annually to Genesee County who will then make the entire debt payment. \$ 321,510

COMPONENT UNIT - AIRPORT

\$52,832 Owosso Community Airport Note, dated July 30, 1997, due in annual installments ranging from \$6,190 to \$6,277 through July 30, 2007, with an interest rate of 5.3 percent, payable annually. \$ 12,467

The annual requirements to pay the debt principal and interest outstanding for the following bonds and loans are as follows:

PRIMARY GOVERNMENT

Year Ending December 31,	Land Contract		Installment Loan		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 39,237	\$ 13,896	\$ 8,983	\$ 5,216	\$ 23,386	\$ 2,750
2007	39,990	12,375	9,253	4,668	18,096	1,089
2008	40,758	10,825	9,531	4,103	4,624	56
2009	41,540	9,245	9,818	3,522	-	-
2010	42,338	7,634	10,113	2,923	-	-
2011-2015	177,639	13,805	43,581	5,335	-	-
	<u>\$ 381,502</u>	<u>\$ 67,780</u>	<u>\$ 91,279</u>	<u>\$ 25,767</u>	<u>\$ 46,106</u>	<u>\$ 3,895</u>

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE H: LONG-TERM DEBT - CONTINUED

COMPONENT UNITS

Year Ending December 31,	Road Commission		Drainage Districts		Airport Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 155,000	\$ 8,545	\$ 464,164	\$ 185,216	\$ 6,277	\$ 661
2007	160,000	5,395	474,164	163,788	6,190	328
2008	165,000	1,898	288,200	145,928	-	-
2009	-	-	288,200	133,336	-	-
2010	-	-	268,000	120,712	-	-
2011-2015	-	-	1,065,000	451,125	-	-
2016-2020	-	-	815,000	220,881	-	-
2021-2025	-	-	645,000	67,681	-	-
	<u>\$ 480,000</u>	<u>\$ 15,838</u>	<u>\$ 4,307,728</u>	<u>\$ 1,488,667</u>	<u>\$ 12,467</u>	<u>\$ 989</u>

The \$371,980 related to the Byron Water Project Bonds (Drainage Districts) are not included in the above schedule because the bonds have not been fully drawn down and as a result the maturity schedule is unknown at December 31, 2005.

Road Commission Advance Refunding - Prior

On February 18, 2004, the Road Commission defeased the MMBA Transportation Fund Program Bond, Series 1992 C which was due and payable August 1, 1992 through August 1, 2007. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The Commission issued 2004 Michigan Transportation Fund Refunding Bond in the amount of \$490,000. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the Commission's financial statements. At December 31, 2005, bonds due and payable August 1, 2006 through May 1, 2008 for the MMBA Transportation Fund Program Bond, Series 1992 C in the amount of \$330,000 are considered defeased.

NOTE I: EMPLOYEE RETIREMENT SYSTEM

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION AND COUNCIL ON AGING)

The County participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple employer public retirement system. MERS is authorized and operated under State law, Act 135 of the Public Acts of 1945, as amended. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917. All full-time County employees are covered by the retirement system with exception of the Road Commission employees. The Road Commission employees are covered under a separate retirement plan.

Normal Retirement:

Union:

Age 50 with 25 or more years of credited service

Age 55 with 15 or more years of credited service

Age 60 with 10 or more years of credited service

Mandatory Retirement: None

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION AND COUNCIL ON AGING) - CONTINUED

Deferred Retirement:

The termination of membership before age 60, other than by retirement or death, after 10 years of credited service is considered a deferred retirement. Retirement allowance begins upon application and satisfaction of normal retirement requirements. The retirement allowance is computed in the same manner as a service retirement with the applicable benefit program being determined as of the date of termination of membership.

Rights to an allowance are forfeited if the member's accumulated contributions are withdrawn.

Benefit allowances are computed based on the applicable criteria as detailed within the plan. Death and disability benefits are also provided.

Funding Policy

The County is required to contribute to the Retirement Plan at an actuarially determined rate. The current rate ranges from 0% to 40.70% as a percentage of annual covered payrolls and varies by the participating employee groups. These contributions are funded by the County on behalf of plan members. In addition, certain employee bargaining groups have negotiated benefits whereby the participating members are required to contribute to the Plan. These participation levels range from 0% to 10% of their annual covered payroll. The contribution requirements of the County are established and may be amended by the MERS Retirement Board. The contribution requirements of plan members are established and may be amended by the County, depending on the MERS contribution program adopted and/or negotiated by the County.

Annual Pension Cost

For the year ended December 31, 2005 the County's annual pension cost of \$2,436,316 for the plan was equal to the County's required contribution. Of this amount, \$1,592,929 was County general employees and \$843,387 was medical care facility employees. The annual required contribution was determined as part of an actuarial valuation of the plan as of December 31, 2003, using the entry actual age cost method. Significant actuarial assumptions used in determining the pension benefit obligation include (1) a rate of return on the investment of present and future assets of 8.0%, (2) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (3) additional projected salary increases ranging from 0.0% to 8.4% per year, depending on age, attributable to seniority/merit. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION AND COUNCIL ON AGING) - CONTINUED

Three (3) year trend information

	Year Ended December 31,		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Actuarial value of assets	\$ 46,029,373	\$ 49,624,765	\$ 53,154,845
Actuarial accrued liability (AAL) (entry age)	67,208,543	72,526,902	75,338,409
Unfunded AAL	21,179,170	22,902,137	22,183,564
Funded ratio	68%	68%	71%
Covered payroll	18,235,848	19,041,797	19,345,099
UAAL as a percentage of covered payroll	116%	120%	115%
Annual pension cost	2,829,192	2,583,118	2,436,316
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

COMPONENT UNIT - ROAD COMMISSION

Description of Plan and Plan Assets

The Commission participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple employer public retirement system. MERS is authorized and operated under State law, Act 135 of the Public Acts of 1945, as amended. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917. All full-time employees are covered by the retirement system.

The benefits and conditions outlined below are for general information only. Public Act 427 of 1984, as amended, covers the benefits and conditions of the Municipal Retirement systems.

Normal Retirement:

- Age 50 with 25 or more years of credited service
- Age 55 with 15 or more years of credited service
- Age 60 with 10 or more years of credited service (reduced to 8 or 6 years depending on benefits)

Mandatory Retirement: None

Deferred Retirement:

The termination of membership before age 60, other than by retirement or death, after 10 years of credited service is considered a deferred retirement. Retirement allowance begins upon application and satisfaction of normal retirement requirements. The retirement allowance is computed in the same manner as a service retirement with the applicable benefit program being determined as of the date of termination of membership.

Rights to an allowance are forfeited if the member's accumulated contributions are withdrawn.

Benefit allowances are computed based on the applicable criteria as detailed within the plan. Death and disability benefits are also provided.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

COMPONENT UNIT - ROAD COMMISSION - CONTINUED

Funding Policy

Covered employees can contribute between 0% and 10% of their annual salary to the retirement system. Employees must contribute 5% of annual compensation. The Commission is required to contribute the remaining amounts necessary to fund the system.

Annual Pension Cost

For the year ended December 31, 2005 the Commission's annual pension cost of \$286,053 for the plan was equal to the Commission's required contribution. The annual required contribution was determined as part of an actuarial valuation of the plan as of December 31, 2003, using the entry actual age cost method. Significant actuarial assumptions used in determining the pension benefit obligation include (1) a rate of return on the investment of present and future assets of 8.0%, (2) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (3) additional projected salary increases depending on age, merit, longevity, and promotional salary increases. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit.

Three (3) year trend information

	Year Ended December 31,		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Actuarial value of assets	\$ 9,757,935	\$10,070,372	\$10,527,570
Actuarial accrued liability (AAL)	12,677,814	13,235,700	13,846,831
Unfunded AAL	2,919,879	3,165,328	3,319,261
Funded ratio	77%	76%	76%
Covered payroll	1,857,180	2,003,779	2,118,124
UAAL as a percentage of covered payroll	157%	158%	157%
Annual pension cost	228,671	280,709	286,053
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

COMPONENT UNIT - COUNCIL ON AGING

Description of Plan and Plan Assets

The Council participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple employer public retirement system. MERS is authorized and operated under State law, Act 135 of the Public Acts of 1945, as amended. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917. All full-time employees are covered by the retirement system.

The benefits and conditions outlined below are for general information only. Public Act 427 of 1984, as amended, covers the benefits and conditions of the Municipal Retirement systems.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

COMPONENT UNIT - COUNCIL ON AGING - CONTINUED

Normal Retirement:

Age 50 with 25 or more years of credited service

Age 55 with 15 or more years of credited service

Age 60 with 10 or more years of credited service

Mandatory Retirement: None

Deferred Retirement:

The termination of membership before age 60, other than by retirement or death, after 10 years of credited service is considered a deferred retirement. Retirement allowance begins upon application and satisfaction of normal retirement requirements. The retirement allowance is computed in the same manner as a service retirement with the applicable benefit program being determined as of the date of termination of membership.

Rights to an allowance are forfeited if the member's accumulated contributions are withdrawn.

Benefit allowances are computed based on the applicable criteria as detailed within the plan. Death and disability benefits are also provided.

Funding Policy

Covered employees can contribute between 0% and 10% of their annual salary to the retirement system. Employees must contribute 5% of annual compensation. The Council is required to contribute the remaining amounts necessary to fund the system.

Annual Pension Cost

For the year ended December 31, 2005 the Council's annual pension cost of \$9,492 for the plan was equal to the Council's required contribution. The annual required contribution was determined as part of an actuarial valuation of the plan as of December 31, 2003, using the entry actual age cost method. Significant actuarial assumptions used in determining the pension benefit obligation include (1) a rate of return on the investment of present and future assets of 8.0%, (2) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (3) additional projected salary increases of 0.0% to 8.4% depending on age, merit, longevity, and promotional salary increases. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit.

Shiawassee County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

COMPONENT UNIT - COUNCIL ON AGING - CONTINUED

Three (3) year trend information

	Year Ended December 31,		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Actuarial value of assets	\$ 317,158	\$ 347,671	\$ 376,888
Actuarial accrued liability (AAL) (entry age)	404,632	441,917	462,324
Unfunded AAL	87,474	94,246	85,436
Funded ratio	78%	79%	82%
Covered payroll	166,478	173,564	176,588
UAAL as a percentage of covered payroll	53%	54%	48%
Annual pension cost	8,730	9,748	9,492
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

NOTE J: RISK MANAGEMENT

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

The County carries commercial insurance for the risk of loss due to workers' compensation claims.

The County is a voluntary member of the Michigan Municipal Risk Management Authority which is organized under Public Act 138 of 1982, as amended as a governmental group self-insurance pool. Public Act 138 authorizes local units of government to exercise jointly any power, privilege, or authority which each might exercise separately.

The administration of the Authority is directed by a nine (9) member Board of Directors composed of municipal representatives from the membership elected by the membership. The Board establishes the general policy of the Authority, creates and publishes rules to be followed by the Manager and Board, and is empowered with the authority to impose sanctions or terminate membership. The County, by resolution of the County Board of Commissioners, has designated a representative to the Authority to be responsible for the execution of all loss control measures, to ensure the payment of all annual and supplementary or other payment requirements, to ensure the filing of all required reports, and to act as a liaison between the County and the Authority.

The Authority provides risk management, underwriting, reinsurance, and claim services with member contributions allocated to meet these obligations. The Authority administers a risk management fund providing Shiawassee County with loss protection for general and auto liability, motor vehicle physical damage, and property damage. Under most circumstances the County's maximum loss per occurrence is limited as follows:

<u>Type of Risk</u>	<u>Maximum Retention Per Occurrence</u>
General and auto liability	\$ 100,000
Motor vehicle physical damage	30,000
Property coverage	100,000

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE J: RISK MANAGEMENT - CONTINUED

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION) - CONTINUED

The Authority has established a Retained Risk Program to pay losses incurred by members that exceed individual retention levels and are not covered under existing reinsurance agreements. Losses incurred within the established limits are general obligations of the Authority. In the event that losses are incurred in excess of the resources available, the Authority as a whole (i.e., all constituent municipalities) is liable for the excess. The Authority may authorize dividends to individual members in the event that the members and individual fund balance is determined to be sufficient to do so.

Liability insurance claims are expensed as incurred. The liability is determined by the Michigan Municipal Risk Management Authority management based on an actuarial study performed using historical data and available insurance industry statistics. The liability includes a reserve for reported claims, and reported legal expenses as well as incurred but not reported claims.

The Authority has reserved fund balance to pay losses incurred by members that exceed individual retention levels and are not covered under existing reinsurance agreements. Losses incurred within the established limits are general obligations of the Authority. In the event that Shiawassee County incurs a loss in excess of the resources available, the Authority as a whole (i.e., all constituent municipalities) is liable for the excess.

In addition, the Authority has accumulated resources to create and fund an internal Stop Loss Fund. The Stop Loss Fund was initiated to eliminate the need to purchase aggregate reinsurance for aggregate losses paid in excess of \$203,000, net of reinsurance recoveries for any one member in any one year. Aggregate paid losses in excess of \$203,000 net of reinsurance recoveries are paid entirely from the Internal Stop Loss Fund. If at any time the Stop Loss Fund is insufficient to fund Shiawassee County's losses, the remaining liability shall become the responsibility of the Authority as a whole.

At December 31, 2005, the County had funds on deposit of \$343,823 with the Authority and reserves for reported claims of \$104,720.

ROAD COMMISSION - COMPONENT UNIT

The Road Commission participates in the Michigan County Road Commission Self-Insurance Pool for claims relating to general liability, trunkline, excess liability, auto liability, directors' and officers' liability, errors and omissions and physical damage. The Road Commission participates in the County Road Commission Self-Insurance Fund (CRCSIF) for workers' compensation insurance and has full statutory coverage for workers' disability compensation and employers' liability as granted by the State of Michigan under Chapter 6, Section 418.611 of the Workers' Disability Compensation Act. The Commission has no liability for additional assessments based on the claims filed against the fund nor do they have rights to dividends.

NOTE K: CONTINGENT LIABILITIES

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

The County participates in a number of Federal and State assisted grant programs which are subject to compliance audits. The Single Audit of the Federal Programs and the periodic program compliance audits of many of the State programs have not yet been completed or final resolution has not been received. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE K: CONTINGENT LIABILITIES

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION) - CONTINUED

There are various legal actions pending against the County. Due to the inconclusive nature of many of the actions, it is not possible for Legal Counsel to determine the probable outcome or a reasonable estimate of the County's potential liability, if any. Those actions for which a reasonable estimate can be determined of the County's potential liability and that would not be covered by insurance and reserves, if any, could be material to the County.

ROAD COMMISSION - COMPONENT UNIT

The Commission participates in a number of Federal and State assisted grant programs which are subject to compliance audits. The programs and the periodic program compliance audits of many of the programs have not yet been conducted, completed, or resolved. Accordingly, the Commission's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Commission expects such amounts, if any, to be immaterial.

There are various other legal actions pending against the Commission. Due to the inconclusive nature of many of the actions, it is not possible for Corporation Counsel to determine the probable outcome or a reasonable estimate of the potential liability, if any. These actions, for which a reasonable estimate can be determined of the potential liability, if any, are considered by the Commission and legal counsel to be immaterial.

NOTE L: PROPERTY TAXES AND TAXES RECEIVABLE

The County property tax is levied each December 1 and July 1 on the taxable valuation of property located in the County as of the preceding December 31.

Beginning with the 2004 tax levy the State has mandated the creation of a Revenue Sharing Reserve fund into which one-third of the County's 2004 to 2006 ad valorem operating tax is being recognized. The purpose of the fund is to accumulate reserves of the County's own local funds from which an amount similar to Revenue Sharing payments, formerly made by the State, will be made back to the General Fund. As part of this process, the County's tax levy will be shifting over the next three years from winter to summer.

The County's Winter 2004 and Summer 2005 ad valorem taxes were levied and collectible on December 1, 2004 and July 1, 2005, respectively. It is the County's policy to recognize revenues from the tax levy in the year when the proceeds of the levy are budgeted and made available for the financing of County operations. As a result, the County's Winter 2004 and Summer 2005 tax levies have been recognized as revenue in the current fiscal year. The 2004 taxable value of Shiawassee County amounted to \$1,524,102,197 on which ad valorem taxes levied for County general operating purposes consisted of 5.1876 mills for Winter 2004 and 1.7186 mills for Summer 2005. The Medical Care Facility and Council on Aging Fund levied 2.0000 and 0.1629 mills, respectively.

By resolution of the Board of Commissioners and agreement with various taxing authorities, the County purchased at face value the real property taxes receivable returned delinquent on March 1, 2005. Subsequent collections of delinquent taxes receivable, plus interest thereon and investment earnings, are used to repay the funds distributed by the Delinquent Tax Revolving Fund. This activity is accounted for in the Delinquent Tax Revolving (Enterprise) Fund.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE M: FUND EQUITY RESERVES AND DESIGNATIONS

Reserved fund equity is used to earmark a portion of fund equity to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use. Designated fund balance indicates that portion of fund balance that the County has set aside for specific purposes. These reserves and designations are recorded at the fund level to indicate management's plans for these funds.

The following are the various fund balance reserves as of December 31, 2005:

PRIMARY GOVERNMENT	
General Fund	
Reserved for	
Advances to other governmental units	\$ 170,000
Park outlay	<u>3,728</u>
TOTAL PRIMARY GOVERNMENT	<u><u>\$ 173,728</u></u>
COMPONENT UNITS	
Drainage Districts	
Reserved for advances to other funds	<u><u>\$ 49,837</u></u>

The following are fund balance designations as of December 31, 2005:

PRIMARY GOVERNMENT	
Nonmajor governmental funds	
Designated for capital improvement	<u><u>\$ 366,070</u></u>
COMPONENT UNIT	
Drainage Districts	
Designated for capital expenditures	<u><u>\$ 2,709,962</u></u>

NOTE N: RESTRICTED NET ASSETS

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of December 31, 2005:

PRIMARY GOVERNMENT	
Governmental activities	
Restricted for	
Public safety	
Central dispatch	\$ 982,050
Local corrections training	37,776
Drug forfeiture	8,524
Drunk driving	83,210
Sheriff collection	27,182
Local law enforcement	<u>1,690</u>
	<u><u>\$ 1,140,432</u></u>
Capital improvements	<u><u>\$ 83,400</u></u>

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE N: RESTRICTED NET ASSETS - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Governmental activities - continued

Restricted for

Other purposes

Friend of the Court	\$ 337,297
Register of Deeds automation	109,624
Budget stabilization	387,066
Law library	258
Childcare	43,260
Veteran trust	5,651
Farmland preservation	1,762
Housing rehabilitation	18,820
Revenue sharing	<u>3,375,474</u>

\$ 4,279,212

Business-type activities

Medical Care Facility

Restricted for employee benefits	<u>\$ 2,306,244</u>
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COMPONENT UNITS

Drainage Districts

Restricted for capital improvements	<u>\$ 5,198,612</u>
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Road Commission

Restricted for County roads	<u>\$ 4,702,553</u>
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NOTE O: FLEXIBLE BENEFITS PLAN

In May 2002 the County implemented a flexible benefits cafeteria plan established under Section 125 of the Internal Revenue Code. The plan is available to all employees who have completed 30 days of full-time employment with the County and normally work not less than 20 hours per week for the County and normally are scheduled to work at least five months during the plan year. The plan permits them to reduce their salary and put these amounts into a flexible benefits account up to certain limits. The plan allows the employee to reduce their salary and apply it to dependent care benefits, medical expense reimbursement benefits or medical benefits. A participating employee may elect instead a cash alternative to supplement salary compensation in lieu of a nontaxable health benefit. An employee's elected cash alternative will be considered a taxable benefit under the Flexible Benefit Plan.

The plan is administered by the County.

ROAD COMMISSION - COMPONENT UNIT

In November 1993 the Commission implemented a flexible benefits cafeteria plan established under Section 125 of the Internal Revenue Service Code. The plan is available to all employees following 30 days of employment. The plan permits them to reduce their salary and put these amounts into a flexible benefits account up to certain limits. The plan allows the employee to reduce their salary and apply it to required premium payments. A participating employee may elect instead a cash alternative to supplement salary compensation in lieu of a nontaxable health benefit. An employee's elected cash alternative will be considered a taxable benefit under the Flexible Benefit Plan.

The plan is administered by Shiawassee County Road Commission.

Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE P: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

In the body of the financial statements, the County's budgeted expenditures in the General Fund and major Special Revenue Funds have been shown at the functional classification level. The approved budgets of the County have been adopted at the activity level for the General Fund and the total expenditure level for the major Special Revenue Funds.

During the year ended December 31, 2005, the County incurred expenditures in the General Fund and one (1) Special Revenue fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Public works			
Drains at large	\$ 134,831	\$ 137,286	\$ 2,455
Health and welfare			
Emergency services	516,945	520,299	3,354
Transfers out			
Revenue Sharing Reserve	-	2,589,669	2,589,669

NOTE Q: FUND BALANCE DEFICITS

The following funds had a fund balance deficit at December 31, 2005:

	<u>Deficit</u>
Primary Government	
Nonmajor governmental funds	
Child care - probate	\$ <u>21,646</u>
Component Unit	
Drainage districts	
Lake Level	\$ <u>3,028</u>

NOTE R: PRIOR PERIOD ADJUSTMENTS

The following prior period adjustments were made during the year, which were the result of corrections of accounting errors. These adjustments were reported as changes to beginning fund balance and net assets. The effect on operations and other affected balances for the current and prior period are as follows:

	<u>December 31, 2005</u>	<u>2004</u>	<u>Description</u>
GOVERNMENTAL ACTIVITIES			
Fund Level / Government-wide level			
Revenue Sharing Reserve Fund			
Due from other funds	\$ -	\$(45,969)	Correct overstated tax
Revenue over (under) expenditures	-	(45,969)	receivable
Fund balance - beginning	(45,969)	-	
Government-wide Level			
Capital assets, net of			
accumulated depreciation	-	(417,525)	Correct overstatement
Change in net assets	-	(417,525)	of capital assets, net of
Net assets - beginning	(417,525)	-	accumulated depreciation

Shiawassee County, Michigan
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE R: PRIOR PERIOD ADJUSTMENTS - CONTINUED

	December 31,		
	<u>2005</u>	<u>2004</u>	<u>Description</u>
COMPONENT UNITS			
Fund Level			
Regular Drain			
Special assessment receivable	\$ -	\$ 198,392	Correct understatement of special assessment receivable
Revenue over (under) expenditures	-	198,392	
Fund balance - beginning	198,392	-	
Government-wide Level			
Drainage Districts			
Capital assets, net of accumulated depreciation	-	4,674,751	Correct understatement of capital assets net of accumulated depreciation, and lease receivable
Lease receivable	-	593,081	
Change in net assets	-	5,267,832	
Net assets - beginning	5,267,832	-	
Council on Aging			
Capital assets, net of accumulated depreciation	-	26,908	Correct understatement of capital assets, net of accumulated depreciation
Change in net assets	-	26,908	
Net assets - beginning	26,908	-	
County Airport			
Capital assets, net of accumulated depreciation	-	417,525	Correct understatement of capital assets, net of accumulated depreciation
Change in net assets	-	417,525	
Net assets - beginning	417,525	-	

NOTE S: RESTATEMENT OF NET ASSETS - ROAD COMMISSION

As of January 1, 2005, the Road Commission recognized seal coating in accordance with the Uniform Accounting Procedures manual for county road commissions referring to the Act 51 definition of seal coating. As a result, seal coating that was recorded as capital assets as of December 31, 2004 has been removed.

Governmental activities net assets as of December 31, 2004	\$ 49,571,321
Less: items no long considered capital assets	<u>724,883</u>
Restated governmental activities net assets as of December 31, 2004	<u>\$ 48,846,438</u>

REQUIRED SUPPLEMENTARY INFORMATION

Shiawassee County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES

Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Current and delinquent property taxes	\$ 7,782,500	\$ 7,765,270	\$ 10,352,570	\$ 2,587,300
Mobile home park taxes	12,000	12,000	11,703	(297)
Other tax revenue	300	6,257	9,166	2,909
Total taxes	7,794,800	7,783,527	10,373,439	2,589,912
Licenses and permits				
Dog licenses	180,000	144,563	145,471	908
Other licenses and permits	21,000	21,000	24,596	3,596
Total licenses and permits	201,000	165,563	170,067	4,504
Intergovernmental - Federal/State				
Cooperative reimbursement				
Prosecuting attorney	150,000	150,000	140,457	(9,543)
Friend of the court	651,833	626,833	478,595	(148,238)
Juvenile grant	27,317	27,317	27,317	-0-
ADC Maintenance incentive	137,527	137,527	137,527	-0-
Sheriff - traffic	-	45,000	29,923	(15,077)
Sheriff - road patrol	127,206	127,206	123,091	(4,115)
Liquor license	11,600	12,828	13,144	316
Convention facility liquor tax	87,500	91,260	94,686	3,426
Medical examiner-sids	-	-	1,600	1,600
Victims' rights	57,300	57,300	57,777	477
Drivers license restoration	15,500	19,454	19,454	-0-
Probate court judge	139,919	139,919	147,477	7,558
Circuit court judge	45,724	45,724	45,724	-0-
District court judge	91,448	91,448	91,448	-0-
Diverted felons	35,000	13,790	11,093	(2,697)
Jury fee reimbursement	12,500	15,200	15,218	18
Community corrections	191,114	117,974	140,844	22,870
PA 345 - remonumentation	99,874	99,874	121,759	21,885
Court equity	395,000	389,692	380,698	(8,994)
Emergency management	380,062	385,185	394,866	9,681
Other	72,102	54,012	49,533	(4,479)
Total intergovernmental - Federal/State	2,728,526	2,647,543	2,522,231	(125,312)

Shiawassee County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES - CONTINUED

Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES - CONTINUED				
Charges for services				
Sheriff	\$ 32,000	\$ 32,996	\$ 40,157	\$ 7,161
Treasurer fees	8,500	8,500	7,913	(587)
Drain commissioner	-	-	85	85
Friend of the court service fees	50,000	57,069	57,454	385
District court	841,000	944,752	984,866	40,114
Circuit court	203,000	277,119	285,985	8,866
Probation - juvenile	33,500	33,500	30,262	(3,238)
Clerk	79,000	99,000	103,802	4,802
Register of deeds	593,000	578,000	598,644	20,644
Community corrections	10,000	10,000	10,353	353
Probate court	65,000	40,000	39,371	(629)
Community development	114,600	114,600	105,853	(8,747)
Landfill agreement	80,000	80,000	90,928	10,928
Care of prisoners	282,250	233,250	237,424	4,174
Housing rehab program	52,913	46,478	46,087	(391)
Other charges and services	13,700	17,803	21,771	3,968
Total charges for services	2,458,463	2,573,067	2,660,955	87,888
Fines and forfeits				
Bond forfeitures	7,000	17,350	18,150	800
Ordinance fines and costs	222,000	236,118	248,562	12,444
Total fines and forfeits	229,000	253,468	266,712	13,244
Interest and rents				
Interest	100,000	258,514	289,965	31,451
Rents	26,500	26,500	23,595	(2,905)
Total interest and rents	126,500	285,014	313,560	28,546
Other				
Contributions	22,290	20,290	25,490	5,200
Reimbursements - indirect costs	37,000	140,525	146,920	6,395
Reimbursements - other	19,750	82,168	36,319	(45,849)
Bond or insurance recoveries	-	9,071	11,174	2,103
Other	8,000	19,960	19,278	(682)
Total other	87,040	272,014	239,181	(32,833)
TOTAL REVENUES	13,625,329	13,980,196	16,546,145	2,565,949

Shiawassee County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES - CONTINUED

Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
OTHER FINANCING SOURCES				
Transfers in				
Revenue Sharing Reserve	\$ 1,227,364	\$ 1,227,364	\$ 1,227,364	\$ -0-
Delinquent Tax Revolving	644,364	644,364	644,364	-0-
Budget stabilization	104,030	104,030	104,030	-0-
Prosecutor's fees	-	8,328	8,328	-0-
Drunk driving assistance	20,000	2,857	1,857	(1,000)
Housing rehabilitation	-	1,395	1,395	-0-
Probate cigarette tax	-	3,272	3,272	-0-
Corrections training	-	21,500	16,535	(4,965)
Total other financing sources	1,995,758	2,013,110	2,007,145	(5,965)
TOTAL REVENUES AND OTHER FINANCING SOURCES				
	\$ 15,621,087	\$ 15,993,306	\$ 18,553,290	\$ 2,559,984

Shiawassee County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY

Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES				
General government				
Board of Commissioners	\$ 165,046	\$ 195,985	\$ 194,608	\$ 1,377
Circuit court	601,021	596,425	554,184	42,241
District court	1,053,158	1,061,189	1,052,367	8,822
Friend of court	662,848	670,549	653,576	16,973
Probate - juvenile division	625,092	671,781	670,167	1,614
Probate - estate division	434,935	421,773	406,033	15,740
Circuit court - probation/parole	20,770	20,770	20,508	262
County Coordinator	151,682	152,900	150,256	2,644
Elections	54,616	95,407	93,269	2,138
Clerk	413,946	414,939	404,013	10,926
Equalization	261,828	265,228	264,055	1,173
Prosecuting Attorney	838,327	846,793	833,405	13,388
Jury	52,050	47,050	34,138	12,912
Register of Deeds	328,390	328,760	321,338	7,422
County survey and remonumentation	124,664	124,664	124,262	402
Information systems	183,829	199,799	198,469	1,330
Treasurer	297,811	298,706	294,229	4,477
Postage	76,000	73,500	66,081	7,419
Agricultural extension	91,254	92,460	88,713	3,747
Courthouse and grounds	813,721	869,369	841,096	28,273
Drain commissioner	294,981	293,392	270,246	23,146
Strategic planning	50,000	50,000	50,000	-0-
Printing	35,000	39,750	34,399	5,351
Telephone	135,000	141,500	111,020	30,480
Contractual services	150,000	168,504	157,207	11,297
Airport	8,139	7,732	7,732	-0-
Other	2,000	1,750	1,197	553
Total general government	7,926,108	8,150,675	7,896,568	254,107
Public safety				
Sheriff	2,639,592	2,856,327	2,831,797	24,530
Secondary road patrol	225,484	225,484	209,809	15,675
Community corrections	211,536	121,248	105,370	15,878
Jail	1,795,918	1,749,474	1,709,731	39,743
Animal control	134,584	128,584	122,723	5,861
Total public safety	5,007,114	5,081,117	4,979,430	101,687

Shiawassee County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY - CONTINUED

Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Public works				
Drains at large	\$ 133,904	\$ 134,831	\$ 137,286	\$ (2,455)
Health and welfare				
Household hazardous waste	7,500	-	-	-0-
Medical examiner	107,699	107,801	101,734	6,067
Mental health	200,000	200,000	200,000	-0-
Emergency services	451,506	516,945	520,299	(3,354)
Veterans affairs	29,368	30,416	29,059	1,357
Veterans burials	15,000	23,740	21,232	2,508
Total health and welfare	811,073	878,902	872,324	6,578
Community and economic development				
Community development	196,999	194,546	171,235	23,311
Recreation and cultural				
Parks	17,850	19,649	19,484	165
Other				
Insurance and bonds	553,700	547,607	485,279	62,328
Other	186,400	168,792	131,145	37,647
Total other	740,100	716,399	616,424	99,975
Capital outlay	2,997	2,997	2,997	-0-
Debt service	68,356	68,356	68,356	-0-
TOTAL EXPENDITURES	14,904,501	15,247,472	14,764,104	483,368

Shiawassee County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY - CONTINUED

Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING USES				
Transfers to other funds				
Drunk driving assistance	\$ 15,000	\$ 19,245	\$ 19,244	\$ 1
Revenue Sharing Reserve	-	-	2,589,669	(2,589,669)
Law library	10,000	10,000	4,000	6,000
Social welfare - FIA	5,000	5,000	5,000	-0-
Child care - FIA	90,000	90,000	90,000	-0-
Child care - probate	250,000	348,540	348,416	124
Health Department Fund	346,586	353,798	353,798	-0-
Gun range	-	2,500	2,500	-0-
Emergency management	-	1,200	1,200	-0-
TOTAL OTHER FINANCING USES	<u>716,586</u>	<u>830,283</u>	<u>3,413,827</u>	<u>(2,583,544)</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 15,621,087</u>	<u>\$ 16,077,755</u>	<u>\$ 18,177,931</u>	<u>\$ (2,100,176)</u>

Shiawassee County, Michigan
Revenue Sharing Reserve Fund
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ -	\$ 2,635,478	\$ -	\$ (2,635,478)
Interest	-	-	1,386	1,386
TOTAL REVENUES	-0-	2,635,478	1,386	(2,634,092)
EXPENDITURES				
Current				
Health and welfare	-	-	2,585	(2,585)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	2,635,478	(1,199)	(2,636,677)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	2,589,669	2,589,669
Transfers out	-	(1,261,680)	(1,259,095)	2,585
TOTAL OTHER FINANCING SOURCES (USES)	-0-	(1,261,680)	1,330,574	2,592,254
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING (USES)	-0-	1,373,798	1,329,375	(44,423)
Fund balance, beginning of year	2,092,068	2,092,068	2,092,068	-0-
Prior period adjustment	-	-	(45,969)	(45,969)
Fund balance, end of year	<u>\$ 2,092,068</u>	<u>\$ 3,465,866</u>	<u>\$ 3,375,474</u>	<u>\$ (90,392)</u>

Shiawassee County, Michigan

Health Department Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Licenses and permits	\$ 258,475	\$ 258,475	\$ 253,252	\$ (5,223)
Intergovernmental	1,854,452	2,198,261	2,063,410	(134,851)
Charges for services	300,913	300,913	273,943	(26,970)
TOTAL REVENUES	2,413,840	2,757,649	2,590,605	(167,044)
EXPENDITURES				
Current				
Health and welfare	2,726,426	3,081,447	2,937,416	144,031
Debt service	34,000	30,000	26,551	3,449
Capital outlay	-	-	50,396	(50,396)
TOTAL EXPENDITURES	2,760,426	3,111,447	3,014,363	97,084
EXCESS OF REVENUES (UNDER) EXPENDITURES	(346,586)	(353,798)	(423,758)	(69,960)
OTHER FINANCING SOURCES				
Debt proceeds	-	-	50,396	50,396
Transfers in	346,586	353,798	353,798	-0-
TOTAL OTHER FINANCING SOURCES	346,586	353,798	404,194	50,396
EXCESS OF REVENUES (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES	-0-	-0-	(19,564)	(19,564)
Fund balance, beginning of year	450,889	450,889	450,889	-0-
Fund balance, end of year	\$ 450,889	\$ 450,889	\$ 431,325	\$ (19,564)

OTHER SUPPLEMENTARY INFORMATION

Shiawassee County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

December 31, 2005

	Special			
	Friend of the Court	Central Dispatch	Drunk Driving	Prosecutor's Fees
ASSETS				
Cash and cash equivalents	\$ 338,166	\$ 895,768	\$ 83,370	\$ 52,675
Accounts receivable	-	65,907	-	-
Due from other funds	-	-	-	-
Due from other governmental units - Federal/State	-	37,986	-	-
TOTAL ASSETS	<u>\$ 338,166</u>	<u>\$ 999,661</u>	<u>\$ 83,370</u>	<u>\$ 52,675</u>
LIABILITIES AND FUND BALANCES (DEFICIT)				
LIABILITIES				
Accounts payable	\$ -	\$ 5,749	\$ 160	\$ -
Accrued liabilities	869	11,862	-	-
Due to other funds	-	-	-	-
Advances from other governmental units	-	-	-	-
TOTAL LIABILITIES	869	17,611	160	-0-
FUND BALANCES (DEFICIT)				
Unreserved				
Designated for capital improvement	-	276,000	-	-
Undesignated, reported in Special revenue funds	337,297	706,050	83,210	52,675
TOTAL FUND BALANCES (DEFICIT)	<u>337,297</u>	<u>982,050</u>	<u>83,210</u>	<u>52,675</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$ 338,166</u>	<u>\$ 999,661</u>	<u>\$ 83,370</u>	<u>\$ 52,675</u>

Revenue						
Budget Stabilization	Farmland Preservation	Animal Control Donations	Building Code	Housing Rehabilitation	Sheriff Collection	Register of Deeds Automation
\$ 387,066	\$ 4,262	\$ 2,313	\$ 262,824	\$ 18,988	\$ 27,840	\$ 109,624
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 387,066</u>	<u>\$ 4,262</u>	<u>\$ 2,313</u>	<u>\$ 262,824</u>	<u>\$ 18,988</u>	<u>\$ 27,840</u>	<u>\$ 109,624</u>
\$ -	\$ 2,500	\$ -	\$ 10,763	\$ 168	\$ 658	\$ -
-	-	-	9,502	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-0-	2,500	-0-	20,265	168	658	-0-
-	-	-	-	-	6,020	-
<u>387,066</u>	<u>1,762</u>	<u>2,313</u>	<u>242,559</u>	<u>18,820</u>	<u>21,162</u>	<u>109,624</u>
<u>387,066</u>	<u>1,762</u>	<u>2,313</u>	<u>242,559</u>	<u>18,820</u>	<u>27,182</u>	<u>109,624</u>
<u>\$ 387,066</u>	<u>\$ 4,262</u>	<u>\$ 2,313</u>	<u>\$ 262,824</u>	<u>\$ 18,988</u>	<u>\$ 27,840</u>	<u>\$ 109,624</u>

Shiawassee County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2005

	Special			
	Emergency Management	Local Correction Training	Drug Forfeiture	Prosecutor's Assets
ASSETS				
Cash and cash equivalents	\$ 3,925	\$ 37,776	\$ 8,524	\$ 12,433
Accounts receivable	-	-	-	-
Due from other funds	-	-	-	-
Due from other governmental units - Federal/State	3,034	-	-	-
TOTAL ASSETS	\$ 6,959	\$ 37,776	\$ 8,524	\$ 12,433
LIABILITIES AND FUND BALANCES (DEFICIT)				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 16
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Advances from other governmental units	-	-	-	-
TOTAL LIABILITIES	-0-	-0-	-0-	16
FUND BALANCES (DEFICIT)				
Unreserved				
Designated for capital improvement	650	-	-	-
Undesignated, reported in Special revenue funds	6,309	37,776	8,524	12,417
TOTAL FUND BALANCES (DEFICIT)	6,959	37,776	8,524	12,417
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ 6,959	\$ 37,776	\$ 8,524	\$ 12,433

Revenue						
Local Law Enforcement	Law Library	County Library	JAIBG	REACH	Social Welfare-FIA	Child Care - Probate
\$ 1,690	\$ 853	\$ -	\$ -	\$ 10,683	\$ 26,322	\$ (18,472)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	12,375	55,157
<u>\$ 1,690</u>	<u>\$ 853</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 10,683</u>	<u>\$ 38,697</u>	<u>\$ 36,685</u>
\$ -	\$ 595	\$ -	\$ -	\$ -	\$ 5,423	\$ 19,456
-	-	-	-	-	-	15,172
-	-	-	-	-	-	23,703
-	-	-	-	-	30,000	-
-0-	595	-0-	-0-	-0-	35,423	58,331
-	-	-	-	-	-	-
1,690	258	-	-	10,683	3,274	(21,646)
1,690	258	-0-	-0-	10,683	3,274	(21,646)
<u>\$ 1,690</u>	<u>\$ 853</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 10,683</u>	<u>\$ 38,697</u>	<u>\$ 36,685</u>

Shiawassee County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2005

	Special Revenue			
	Child Care-FIA	Veterans Trust	Cigarette Tax	In Home Cobo
ASSETS				
Cash and cash equivalents	\$ 43,861	\$ 5,651	\$ 43,329	\$ 6,427
Accounts receivable	-	-	-	-
Due from other funds	23,703	-	-	-
Due from other governmental units - Federal/State	-	-	-	-
TOTAL ASSETS	<u>\$ 67,564</u>	<u>\$ 5,651</u>	<u>\$ 43,329</u>	<u>\$ 6,427</u>
LIABILITIES AND FUND BALANCES (DEFICIT)				
LIABILITIES				
Accounts payable	\$ 2,658	\$ -	\$ 1,150	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Advances from other governmental units	-	-	-	-
TOTAL LIABILITIES	2,658	-0-	1,150	-0-
FUND BALANCES (DEFICIT)				
Unreserved				
Designated for capital improvement	-	-	-	-
Undesignated, reported in Special revenue funds	64,906	5,651	42,179	6,427
TOTAL FUND BALANCES (DEFICIT)	64,906	5,651	42,179	6,427
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$ 67,564</u>	<u>\$ 5,651</u>	<u>\$ 43,329</u>	<u>\$ 6,427</u>

Special Revenue	Capital Projects			Total Nonmajor Governmental Funds
Gun Range	Capital Improvement	Equipment Acquisition	Jail Fund	
\$ 1,016	\$ 6,263	\$ 16,384	\$ 60,753	\$ 2,450,314
-	-	-	-	65,907
-	-	-	-	23,703
-	-	-	-	108,552
<u>\$ 1,016</u>	<u>\$ 6,263</u>	<u>\$ 16,384</u>	<u>\$ 60,753</u>	<u>\$ 2,648,476</u>
\$ 729	\$ -	\$ -	\$ -	\$ 50,025
-	-	-	-	37,405
-	-	-	-	23,703
-	-	-	-	30,000
729	-0-	-0-	-0-	141,133
-	6,263	16,384	60,753	366,070
<u>287</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,141,273</u>
<u>287</u>	<u>6,263</u>	<u>16,384</u>	<u>60,753</u>	<u>2,507,343</u>
<u>\$ 1,016</u>	<u>\$ 6,263</u>	<u>\$ 16,384</u>	<u>\$ 60,753</u>	<u>\$ 2,648,476</u>

Shiawassee County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2005

	Special			
	Friend of the Court	Central Dispatch	Drunk Driving	Prosecutor's Fees
REVENUES				
Intergovernmental	\$ -	\$ 6,308	\$ -	\$ 20,561
Charges for services	33,447	1,075,218	-	712
Fines and forfeits	-	-	-	-
Interest and rents	10,600	18,748	731	-
Other	-	-	-	-
TOTAL REVENUES	44,047	1,100,274	731	21,273
EXPENDITURES				
Current				
General government	90,043	-	-	-
Public safety	-	868,545	4,670	-
Health and welfare	-	-	-	-
Community and economic development	-	-	-	-
Recreation and cultural	-	-	-	-
Capital outlay	-	77,591	-	-
TOTAL EXPENDITURES	90,043	946,136	4,670	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(45,996)	154,138	(3,939)	21,273
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	19,244	-
Transfers out	-	(35,000)	(1,857)	(8,328)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	(35,000)	17,387	(8,328)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	(45,996)	119,138	13,448	12,945
Fund balances (deficit), beginning of year	383,293	862,912	69,762	39,730
Fund balances (deficit), end of year	<u>\$ 337,297</u>	<u>\$ 982,050</u>	<u>\$ 83,210</u>	<u>\$ 52,675</u>

Revenue						
Budget Stabilization	Farmland Preservation	Animal Control Donations	Building Code	Housing Rehabilitation	Sheriff Collection	Register of Deeds Automation
\$ -	\$ -	\$ -	\$ -	\$ 146,095	\$ -	\$ -
-	-	-	386,787	67,016	20,157	89,760
-	-	-	-	-	-	-
12,453	-	-	-	33	-	1,900
-	4,800	2,313	-	-	-	-
12,453	4,800	2,313	386,787	213,144	20,157	91,660
-	-	-	-	-	-	89,749
-	-	-	-	-	19,359	-
-	-	-	-	246,389	-	-
-	18,413	-	513,635	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-0-	18,413	-0-	513,635	246,389	19,359	89,749
12,453	(13,613)	2,313	(126,848)	(33,245)	798	1,911
-	-	-	-	-	-	-
(104,030)	-	-	-	(1,395)	-	-
(104,030)	-0-	-0-	-0-	(1,395)	-0-	-0-
(91,577)	(13,613)	2,313	(126,848)	(34,640)	798	1,911
478,643	15,375	-	369,407	53,460	26,384	107,713
\$ 387,066	\$ 1,762	\$ 2,313	\$ 242,559	\$ 18,820	\$ 27,182	\$ 109,624

Shiawassee County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2005

	Special			
	Emergency Management	Local Correction Training	Drug Forfeiture	Prosecutor's Assets
REVENUES				
Intergovernmental	\$ 3,034	\$ -	\$ -	\$ -
Charges for services	-	30,144	13,052	-
Fines and forfeits	-	-	-	2,400
Interest and rents	-	-	-	-
Other	5,150	-	-	-
TOTAL REVENUES	8,184	30,144	13,052	2,400
EXPENDITURES				
Current				
General government	-	-	-	321
Public safety	2,425	963	3,311	-
Health and welfare	-	-	-	-
Community and economic development	-	-	-	-
Recreation and cultural	-	-	-	-
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	2,425	963	3,311	321
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	5,759	29,181	9,741	2,079
OTHER FINANCING SOURCES (USES)				
Transfers in	1,200	-	-	1,500
Transfers out	-	(16,535)	(1,500)	-
TOTAL OTHER FINANCING SOURCES (USES)	1,200	(16,535)	(1,500)	1,500
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	6,959	12,646	8,241	3,579
Fund balances (deficit), beginning of year	-	25,130	283	8,838
Fund balances (deficit), end of year	\$ 6,959	\$ 37,776	\$ 8,524	\$ 12,417

Revenue						
Local Law Enforcement	Law Library	County Library	JAIBG	REACH	Social Welfare-FIA	Child Care - Probate
\$ 36,024	\$ -	\$ -	\$ 4,174	\$ -	\$ 128,270	\$ 288,706
-	-	-	-	-	6,186	-
-	6,500	-	-	-	-	-
18	-	-	-	-	-	-
-	-	-	-	1,930	-	348,037
36,042	6,500	-0-	4,174	1,930	134,456	636,743
-	11,505	-	-	-	-	-
44,721	-	-	4,687	-	-	-
-	-	-	-	3,270	140,289	960,793
-	-	-	-	-	-	-
-	-	19,749	-	-	-	-
-	-	-	-	-	-	-
44,721	11,505	19,749	4,687	3,270	140,289	960,793
(8,679)	(5,005)	(19,749)	(513)	(1,340)	(5,833)	(324,050)
-	4,000	-	-	-	5,000	348,416
-	-	-	-	-	-	(12,596)
-0-	4,000	-0-	-0-	-0-	5,000	335,820
(8,679)	(1,005)	(19,749)	(513)	(1,340)	(833)	11,770
10,369	1,263	19,749	513	12,023	4,107	(33,416)
\$ 1,690	\$ 258	\$ -0-	\$ -0-	\$ 10,683	\$ 3,274	\$ (21,646)

Shiawassee County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2005

	Special Revenue			
	Child Care-FIA	Veterans Trust	Cigarette Tax	In Home Cobo
REVENUES				
Intergovernmental	\$ -	\$ 19,532	\$ 13,198	\$ 41,156
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Interest and rents	-	-	-	-
Other	700	-	-	-
TOTAL REVENUES	700	19,532	13,198	41,156
EXPENDITURES				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	153,608	14,464	9,635	39,330
Community and economic development	-	-	-	-
Recreation and cultural	-	-	-	-
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	153,608	14,464	9,635	39,330
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(152,908)	5,068	3,563	1,826
OTHER FINANCING SOURCES (USES)				
Transfers in	102,596	-	-	-
Transfers out	-	-	(3,272)	-
TOTAL OTHER FINANCING SOURCES (USES)	102,596	-0-	(3,272)	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	(50,312)	5,068	291	1,826
Fund balances (deficit), beginning of year	115,218	583	41,888	4,601
Fund balances (deficit), end of year	\$ 64,906	\$ 5,651	\$ 42,179	\$ 6,427

Special Revenue	Capital Projects			Total Nonmajor Governmental Funds
Gun Range	Capital Improvement	Equipment Acquisition	Jail Fund	
\$ -	\$ -	\$ -	\$ -	\$ 707,058
25	-	-	-	1,722,504
-	-	-	-	8,900
-	-	97	-	44,580
-	265	-	-	363,195
25	265	97	-0-	2,846,237
-	-	-	-	191,618
2,239	-	-	-	950,920
-	-	-	-	1,567,778
-	-	-	-	532,048
-	-	-	-	19,749
-	689	14,600	44,642	137,522
2,239	689	14,600	44,642	3,399,635
(2,214)	(424)	(14,503)	(44,642)	(553,398)
2,500	-	-	35,000	519,456
-	-	-	-	(184,513)
2,500	-0-	-0-	35,000	334,943
286	(424)	(14,503)	(9,642)	(218,455)
1	6,687	30,887	70,395	2,725,798
\$ 287	\$ 6,263	\$ 16,384	\$ 60,753	\$ 2,507,343

Shiawassee County, Michigan

Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET ASSETS

December 31, 2005

	Jail Commissary	Soil Erosion	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 132,553	\$ 8,014	\$ 140,567
Noncurrent assets			
Capital assets, net of accumulated depreciation	2,729	-	2,729
TOTAL ASSETS	135,282	8,014	143,296
LIABILITIES			
Current liabilities			
Accounts payable	7,343	-	7,343
NET ASSETS			
Invested in capital assets	2,729	-	2,729
Unrestricted	125,210	8,014	133,224
TOTAL NET ASSETS	\$ 127,939	\$ 8,014	\$ 135,953

Shiawassee County, Michigan

Nonmajor Enterprise Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2005

	Jail Commissary	Soil Erosion	Total
OPERATING REVENUES			
Charges for services	\$ 136,052	\$ 13,795	\$ 149,847
OPERATING EXPENSES			
Operating supplies	94,002	8,395	102,397
Depreciation	546	-	546
TOTAL OPERATING EXPENSES	94,548	8,395	102,943
OPERATING INCOME	41,504	5,400	46,904
Net assets, beginning of year	86,435	2,614	89,049
Net assets, end of year	<u>\$ 127,939</u>	<u>\$ 8,014</u>	<u>\$ 135,953</u>

Shiawassee County, Michigan

Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended December 31, 2005

	Jail Commissary	Soil Erosion	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 136,052	\$ 13,795	\$ 149,847
Cash paid to suppliers	<u>(86,659)</u>	<u>(9,725)</u>	<u>(96,384)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	49,393	4,070	53,463
Cash and cash equivalents, beginning of year	<u>83,160</u>	<u>3,944</u>	<u>87,104</u>
Cash and cash equivalents, end of year	<u>\$ 132,553</u>	<u>\$ 8,014</u>	<u>\$ 140,567</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 41,504	\$ 5,400	\$ 46,904
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation expense	546	-	546
Increase (decrease) in accounts payable	<u>7,343</u>	<u>(1,330)</u>	<u>6,013</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 49,393</u>	<u>\$ 4,070</u>	<u>\$ 53,463</u>

Shiawassee County, Michigan

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

December 31, 2005

	Trust and Agency	Economic Development	Library Penal Fine
ASSETS			
Cash and cash equivalents	\$ 1,728,880	\$ 1,127	\$ 76,592
LIABILITIES			
Undistributed collections payable	\$ 201,861	\$ -	\$ 76,592
Due to other governmental units			
Federal/State	176,260	-	-
Local	473,082	1,127	-
Due to individuals and agencies	877,677	-	-
TOTAL LIABILITIES	\$ 1,728,880	\$ 1,127	\$ 76,592

<u>Renovation</u>	<u>Total</u>
<u>\$ 61</u>	<u>\$ 1,806,660</u>
\$ 61	\$ 278,514
-	176,260
-	474,209
<u>-</u>	<u>877,677</u>
<u>\$ 61</u>	<u>\$ 1,806,660</u>

Shiawassee County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DRAINAGE DISTRICTS

December 31, 2005

	Debt Service			Capital
	Spaulding Debt	Corunna Debt	Henderson Debt	Byron Water Project
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Cash and cash equivalents - restricted	-	-	-	-
Special assessments receivable	-	-	-	-
Interest receivable	-	-	-	-
Due from other funds	-	-	-	-
Advances to other funds	-	-	-	-
TOTAL ASSETS	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
LIABILITIES AND FUND BALANCES (DEFICIT)				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Due to other governmental units	-	-	-	-
Advances from other funds	-	-	-	-
Advances from other governmental unit	-	-	-	-
Deferred revenue	-	-	-	-
TOTAL LIABILITIES	-0-	-0-	-0-	-0-
FUND BALANCES (DEFICIT)				
Reserved for advances to other funds	-	-	-	-
Unreserved				
Designated for capital expenditures	-	-	-	-
TOTAL FUND BALANCES (DEFICIT)	-0-	-0-	-0-	-0-
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Projects					
Lake Level	Regular Drain	Revolving Drain	Revolving Drain Maintenance	Drain Equipment Revolving	Total
\$ 4,884	\$ 1,590,147	\$ 18,718	\$ 5,781	\$ 5,004	\$ 1,624,534
-	628,086	-	-	-	628,086
14,176	3,767,759	-	-	-	3,781,935
-	1,930	-	72	-	2,002
-	-	201,119	-	-	201,119
-	21,837	-	-	28,000	49,837
<u>\$ 19,060</u>	<u>\$ 6,009,759</u>	<u>\$ 219,837</u>	<u>\$ 5,853</u>	<u>\$ 33,004</u>	<u>\$ 6,287,513</u>
\$ -	\$ 7,071	\$ -	\$ -	\$ 76	\$ 7,147
-	201,119	-	-	-	201,119
15,000	-	-	-	-	15,000
-	-	49,837	-	-	49,837
-	-	170,000	-	-	170,000
7,088	3,077,523	-	-	-	3,084,611
22,088	3,285,713	219,837	-0-	76	3,527,714
-	21,837	-	-	28,000	49,837
<u>(3,028)</u>	<u>2,702,209</u>	<u>-</u>	<u>5,853</u>	<u>4,928</u>	<u>2,709,962</u>
<u>(3,028)</u>	<u>2,724,046</u>	<u>-0-</u>	<u>5,853</u>	<u>32,928</u>	<u>2,759,799</u>
<u>\$ 19,060</u>	<u>\$ 6,009,759</u>	<u>\$ 219,837</u>	<u>\$ 5,853</u>	<u>\$ 33,004</u>	<u>\$ 6,287,513</u>

Shiawassee County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - DRAINAGE DISTRICTS

December 31, 2005

Total fund balance - governmental funds **\$ 2,759,799**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 10,379,797	
Accumulated depreciation is	<u>(2,461,088)</u>	
Capital assets, net		7,918,709

Long-term receivables are not available to pay for current period expenditures
and are therefore deferred or reported in the funds. These consist of:

Deferred revenue	3,084,611	
Lease receivable	<u>904,368</u>	
		3,988,979

Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Long-term obligations	4,679,708	
Accrued interest payable	<u>25,100</u>	
		<u>(4,704,808)</u>

Net assets of governmental activities **\$ 9,962,679**

Shiawassee County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - DRAINAGE DISTRICTS

Year Ended December 31, 2005

	Debt Service			Capital
	Spaulding Debt	Corunna Debt	Henderson Debt	Byron Water Project
REVENUES				
Intergovernmental - local	\$ -	\$ 70,350	\$ 17,906	\$ -
Charges for services	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
TOTAL REVENUES	-0-	70,350	17,906	-0-
EXPENDITURES				
Current				
Public works	-	-	-	-
Capital outlay	-	-	-	371,980
Debt service	125,663	70,350	25,469	-
TOTAL EXPENDITURES	125,663	70,350	25,469	371,980
EXCESS OF REVENUES (UNDER) EXPENDITURES	(125,663)	-0-	(7,563)	(371,980)
OTHER FINANCING SOURCES (USES)				
Transfers in	125,663	-	7,563	-
Transfers out	-	-	-	-
Bond and note proceeds	-	-	-	371,980
TOTAL OTHER FINANCING SOURCES (USES)	125,663	-0-	7,563	371,980
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING (USES)	-0-	-0-	-0-	-0-
Fund balances, beginning of year	-	-	-	-
Prior period adjustment	-	-	-	-
Fund balances (deficit), end of year	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Projects					
Lake Level	Regular Drain	Revolving Drain	Revolving Drain Maintenance	Drain Equipment Revolving	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 88,256
-	-	-	-	59	59
-	16,009	-	-	34	16,043
7,912	769,275	-	38	-	777,225
7,912	785,284	-0-	38	93	881,583
10,940	-	-	80	94,077	105,097
-	1,717,179	-	-	-	2,089,159
-	917,177	-	-	-	1,138,659
10,940	2,634,356	-0-	80	94,077	3,332,915
(3,028)	(1,849,072)	-0-	(42)	(93,984)	(2,451,332)
-	-	-	298	74,353	207,877
-	(207,877)	-	-	-	(207,877)
-	-	-	-	-	371,980
-0-	(207,877)	-0-	298	74,353	371,980
(3,028)	(2,056,949)	-0-	256	(19,631)	(2,079,352)
-	4,582,603	-	5,597	52,559	4,640,759
-	198,392	-	-	-	198,392
\$ (3,028)	\$ 2,724,046	\$ -0-	\$ 5,853	\$ 32,928	\$ 2,759,799

Shiawassee County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - DRAINAGE DISTRICTS

Year Ended December 31, 2005

Net change in fund balances - total governmental funds **\$ (2,079,352)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 1,636,914	
Depreciation expense	<u>(171,165)</u>	
Excess of capital outlay over depreciation expense		1,465,749

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Deferred revenue	1,621,911
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Long-term debt proceeds	(371,980)	
Bond and note principal retirements	635,409	
Other changes in long-term debt	<u>138,490</u>	
		401,919

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in lease receivable	311,287	
Decrease in accrued interest payable	<u>4,136</u>	
		<u>315,423</u>

Change in net assets of governmental activities **\$ 1,725,650**

Shiawassee County, Michigan

Component Unit Funds

BALANCE SHEET - COUNTY AIRPORT

December 31, 2005

	<u>Special Revenue</u>
ASSETS	
Cash and cash equivalents	<u>\$ 8,364</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 1,750
Accrued liabilities	<u> 683</u>
TOTAL LIABILITIES	2,433
FUND BALANCE	
Unreserved	
Undesignated	<u> 5,931</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 8,364</u>

Shiawassee County, Michigan

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - COUNTY AIRPORT

December 31, 2005

Total fund balance - governmental fund \$ 5,931

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 1,761,125	
Accumulated depreciation is	<u>(91,540)</u>	
Capital assets, net		1,669,585

Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds.
Long-term liabilities at year-end consist of:

Note payable	<u>(12,467)</u>
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Net assets of governmental activities \$1,663,049

Shiawassee County, Michigan

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - COUNTY AIRPORT

Year Ended December 31, 2005

	<u>Special Revenue</u>
REVENUES	
Intergovernmental - local	\$ 1,149,082
Charges for services	3,363
Interest and rents	49,769
Other	<u>5,949</u>
TOTAL REVENUES	1,208,163
EXPENDITURES	
Current	
Public works	63,132
Capital outlay	1,277,248
Debt service	
Principal	5,961
Interest	<u>977</u>
TOTAL EXPENDITURES	<u>1,347,318</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(139,155)
Fund balance, beginning of year	<u>145,086</u>
Fund balance, end of year	<u><u>\$ 5,931</u></u>

Shiawassee County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES - COUNTY AIRPORT

Year Ended December 31, 2005

Net change in fund balances - total governmental funds \$ (139,155)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 1,277,248	
Depreciation expense	<u>(25,188)</u>	
Excess of capital outlay over depreciation expense		1,252,060

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Note principal retirements	<u>5,961</u>
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Change in net assets of governmental activities \$ 1,118,866

Shiawassee County, Michigan

Component Unit Funds

BALANCE SHEET - COUNCIL ON AGING

December 31, 2005

	Special Revenue
ASSETS	
Cash and cash equivalents	\$ 246,456
Investments	182,841
Taxes receivable	221,573
Due from other governmental units	<u>39,622</u>
TOTAL ASSETS	<u>\$ 690,492</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Deferred revenue	\$ 238,317
FUND BALANCE	
Unreserved	
Undesignated	<u>452,175</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 690,492</u>

Shiawassee County, Michigan

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - COUNCIL ON AGING

December 31, 2005

Total fund balance - governmental funds \$ 452,175

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 69,439
Accumulated depreciation is	<u>(44,267)</u>

Capital assets, net	<u>25,172</u>
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Net assets of governmental activities	<u><u>\$ 477,347</u></u>
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Shiawassee County, Michigan

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - COUNCIL ON AGING

Year Ended December 31, 2005

	Special Revenue
REVENUES	
Property taxes	\$ 244,923
Intergovernmental	434,082
Charges for services	96,095
Interest	9,355
Other	51,499
TOTAL REVENUES	835,954
EXPENDITURES	
Current	
Health and welfare	753,184
EXCESS OF REVENUES OVER EXPENDITURES	82,770
Fund balance, beginning of year	369,405
Fund balance, end of year	\$ 452,175

Shiawassee County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES - COUNCIL ON AGING

Year Ended December 31, 2005

Net change in fund balances - total governmental funds	\$	82,770
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation expense	<u>(1,736)</u>
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Change in net assets of governmental activities	\$	<u>81,034</u>
--	-----------	----------------------

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
Shiawassee County
Corunna, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Shiawassee County, Michigan as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 13, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Shiawassee County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Shiawassee County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. We noted the following reportable condition:

2005-1 SEPARATION OF DUTIES - DISTRICT COURT

Condition: During the course of our prior year audit, it was noted that the head clerk of the District Court was involved with writing and signing checks, bank reconciliations, daily balancing processes, and was also involved in the receipting of cash and could void receipts. This was all performed with no supervisory review of any of these functions by the Court Administrator.

These issues were addressed during the current year by the Court, but the employee in question still has duties and system access that are incompatible with each other. The head clerk still opens the mail, is a backup cashier (which implies continued access in this area), and is an authorized check signer on the Court's bank accounts. As a result, the County assumes a higher risk in safeguarding assets.

Criteria: Paragraph D1 of section 6-05, Michigan Court Administration Reference Guide, states: "Duties and responsibilities for handling receipts and disbursements should be arranged and separated so that an employee does not perform more than one of the following functions:

- a. Opening the mail.
- b. Receipting payments.
- c. Balancing receipts to the accounting records.
- d. Performing the bank reconciliation.

Additionally, Paragraph C7 of section 6-05, Michigan Court Administration Reference Guide, states: "Employees who receipt payments should not have the capability to generate court checks."

Effect: District Court management must realize that a greater risk in safeguarding assets will exist if duties and responsibilities are not appropriately arranged and separated. In smaller courts, where the number of employees is limited and duties cannot be adequately separated, court management must provide a greater review and supervision of employee functions and procedures."

Recommendation: It is recommended that the District Court appropriately arrange and separate duties and responsibilities so that an adequate internal control system exists to safeguard receipts. If the court cannot separate duties within the office to provide an adequate internal control system, the court must realize that a greater risk in safeguarding assets will exist.

There appears to be a sufficient number of employees in the office of the District Court so that additional procedures can be implemented that will strengthen the internal control system and, accordingly, reduce the risk in safeguarding receipts and disbursements. The court management must provide greater review and supervision of employees, in addition to periodically reviewing their duties to ensure that they have not changed, resulting in a further weakening of the internal control system.

Corrective Action Response: Management of the Court is currently reviewing procedures related to separation of duties at the District Court in order to comply with the cited requirements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

We have noted certain matters that we have reported to management and the Board of Commissioners of Shiawassee County in a separate letter dated March 13, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of management, the Board of Commissioners and management of Shiawassee County, pass-through grantors, and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 13, 2006

Shiawassee County, Michigan

**SUPPLEMENTARY INFORMATION
TO FINANCIAL STATEMENTS
(FEDERAL AWARDS)**

December 31, 2005

Shiawassee County, Michigan

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Commissioners
of Shiawassee County
Corunna, Michigan

Compliance

We have audited the compliance of Shiawassee County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to the major Federal programs for the year ended December 31, 2005. Shiawassee County's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to the major Federal programs are the responsibility of Shiawassee County's management. Our responsibility is to express an opinion on Shiawassee County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major Federal programs occurred. An audit includes examining, on a test basis, evidence about Shiawassee County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Shiawassee County's compliance with those requirements.

In our opinion, Shiawassee County complied, in all material respects, with the requirements referred to above that are applicable to the major Federal programs for the year ending December 31, 2005.

Internal Control Over Compliance

The management of Shiawassee County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered Shiawassee County's internal control over compliance with requirements that could have a direct and material effect on the major Federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one (1) or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to the major Federal programs being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregated discretely presented component units, each major fund, and the aggregate remaining fund information of Shiawassee County as of and for the year ended December 31, 2005, and have issued our report thereon dated March 13, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Shiawassee County's basic financial statements. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Commissioners and management of Shiawassee County, the pass-through grantors, and the Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 13, 2006

Shiawassee County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2005

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantors Number</u>	<u>Current Year Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through Michigan Department of Community Health			
Women, Infants and Children (WIC)			
FY 05-06 Regular	10.557	XX4W1006	\$ 70,643
FY 04-05 Regular		XX4W1006	<u>167,771</u>
			238,414
Passed through Michigan Department of Education			
National School Breakfast Program ^(g)	10.553	51970, 61970	6,573
National School Lunch Program ^(g)	10.555	51950, 51960 61950, 61960	10,103
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through Michigan State Housing Development Authority			
Community Development Block Grant (CDBG) Program			
State's Program	14.228		
03-04 (Housing)		MSC2005814MDC	28,798
04-05 (Housing)		MSC2004814HOA	<u>104,584</u>
			133,382
Home Investment Partnerships Program	14.239		
02-04 Home		M20020814HOA	841
U.S. DEPARTMENT OF JUSTICE			
Passed through Michigan Department of Human Services			
Juvenile Accountability	16.523		
2004 Grant		JAIBG-04-78001	4,174
BASIC Grant	16.540		
05-06		78	1,586
04-05		78	<u>7,866</u>
			9,452
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through Michigan State Police			
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601		
2005 Grant		PT-05-81	10,000
Occupant Protection	20.602		
2005 Grant		PT-05-81	14,923
Safety Incentive Grants for Use of Seatbelts	20.604	PT-05-81	5,000

Shiawassee County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended December 31, 2005

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantors Number</u>	<u>Current Year Expenditures</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Passed through Michigan Department of Environmental Quality			
State Indoor Radon Grant FY 04-05 ^(e)	66.032	N/A	\$ 1,000
State Grants to Reimburse Operations of Small Water Systems for Training and Certification Cost FY 04-05	66.471	N/A	8,475
State Drinking Water Revolving Fund FY 04-05	66.468	N/A	4,425
FY 05-06 ^(e)		N/A	<u>146,151</u>
			150,576
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through State Department of Office on Services to the Aging and Valley Area Agency on Aging			
Title III-D Special Programs for the Aging FY 04-05	93.043	SCOA-05	1,465
Title III-B Special Programs for the Aging ^(a) Grants for In-home Services, Chore, CCS, and Senior Centers	93.044		
FY 05-06		SCOA-05	5,511
FY 04-05		SCOA-05	<u>9,119</u>
			14,630
Title III-C Special Programs for the Aging ^(a) FY 05-06 Nutrition Congregate	93.045	SCOA-NUTR-05	7,250
FY 04-05 Nutrition Congregate		SCOA-NUTR-05	31,317
FY 05-06 Nutrition Home Delivered Meals		SCOA-NUTR-05	12,257
FY 04-05 Nutrition Home Delivered Meals		SCOA-NUTR-05	<u>47,394</u>
			98,218
Title III-E National Family Caregiver Support FY 05-06	93.052	SCOA-05	4,307
FY 04-05		SCOA-05	<u>12,008</u>
			16,315
Nutrition Services Incentive Program FY 05-06 Nutrition Congregate	93.053	SCOA-NUTR-05	2,159
FY 04-05 Nutrition Congregate		SCOA-NUTR-05	8,756
FY 05-06 Nutrition Home Delivered Meals		SCOA-NUTR-05	11,164
FY 04-05 Nutrition Home Delivered Meals		SCOA-NUTR-05	<u>36,593</u>
			58,672

Shiawassee County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended December 31, 2005

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantors Number</u>	<u>Current Year Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED			
Passed through Michigan Department of Community Health			
Immunization Grants ^(d)	93.268		
FY 05-06 IAP		H23CCH522556	\$ 9,450
FY 04-05 IAP		H23CCH522556	21,013
FY 05-06 Vaccine Supply		N/A	67,597
FY 04-05 Vaccine Supply		N/A	202,790
FY 04-05 Vaccine Handling ^(e)		H23CCH522556	<u>1,509</u>
			302,359
Centers for Disease Control and Prevention - Investigations and Technical Assistance			
FY 05-06	93.283		
Focus A		CCU517018	41,197
FY 04-05			
Focus A		CCU517018	55,992
Focus B		CCU517018	64,618
Focus E		CCU517018	10,469
Focus F		CCU517018	9,565
Focus G		CCU517018	<u>6,579</u>
			188,420
Medicaid Assistance Program			
In home Services and Waiver	93.778		
FY 05-06		SCOA-04	6,896
FY 04-05		SCOA-04	<u>30,835</u>
			37,731
Passed through Michigan Department of Human Services and Michigan Department of Community Health Medical Assistance Program (Title XIX Medicaid)			
	93.778		
FY 05-06 Outreach & Advocacy ^(e)		5XX05MI504	4,826
FY 04-05 Outreach & Advocacy ^(e)		5XX05MI504	4,223
FY 05-06 Care Coordination ^(f)		B1MIMCHS	300
FY 05-06 Case Management		B1MIMCHS	202
FY 04-05 Case Management		B1MIMCHS	1,209
FY 04-05 Care Coordination		B1MIMCHS	<u>2,580</u>
			13,340

Shiawassee County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended December 31, 2005

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantors Number</u>	<u>Current Year Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED			
Passed through Michigan Department of Human Services			
Child Support Enforcement ^(d) (Title IV-D)	93.563		
Cooperative Reimbursement - Friend of the Court ^(b)			
05-06		CS/FOC-06-78001	\$ 119,493
04-05		CS/FOC-05-78001	342,710
Cooperative Reimbursement - Prosecuting Attorney ^(b)			
05-06		CS/PA-06-78002	98,488
04-05		CS/PA-05-78002	35,037
Medical Support Collection ^(b) - Friend of the Court FY 05-06		CS/MED-06-78001	-
Friend of the Court FY 04-05		CS/MED-05-78001	9,723
Incentive Payments ^(c) 2005 Regular		N/A	<u>137,527</u>
			742,978
Passed through Michigan Department of Community Health			
BCCP - Early Detection	93.919		
05-06 CDI		U57CCU506738	12,306
04-05 CDI		U57CCU506738	<u>23,474</u>
			35,780
Passed through Michigan Department of Community Health			
Maternal and Child Health Services Block Grant to the States	93.994		
FY 05-06 Local MCH		B1MIMCHS	40,810
FY 04-05 Local MCH		B1MIMCHS	8,961
FY 05-06 Case Management Services		B1MIMCHS	3,974
FY 04-05 Case Management Services		B1MIMCHS	<u>7,095</u>
			60,840
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through Michigan State Police			
State Homeland Security ^{(h) (d)}	97.004		
2003 SHSGP-SAP		N/A	14,134
2003 SHSGP - Training Part II		N/A	7,002
2004 HSGP - CBRNE - Planning		N/A	29,176
2004 SHSGP - CBRNE - Equipment		N/A	233,462
2004 LETPP - CBRNE - Equipment		N/A	<u>80,144</u>
			363,918

Shiawassee County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended December 31, 2005

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantors Number</u>	<u>Current Year Expenditures</u>
U.S. DEPARTMENT OF HOMELAND SECURITY - CONTINUED			
Passed through Michigan State Police - continued			
Emergency Management Performance Grant FY 04 Regular	97.042	N/A	\$ 197
Emergency Management Performance Grant 05 EMPG ^{(h) (d)}	97.067	N/A	<u>30,750</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 2,558,526</u>

Shiawassee County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2005

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of Shiawassee County, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements, which are reconciled in Note C.

Federal Awards of the Shiawassee County Road Commission are excluded from the accompanying Schedule of Expenditures of Federal Awards. These component units are audited by other auditors with reports issued under separate covers. Single Audits, where applicable, were conducted by those other auditors and included in the applicable reports. To view copies of those reports contact the respective administrative offices of the component units or the Shiawassee County Administrators office.

NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE

The following descriptions identified below as (a)-(h) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards:

- (a) Programs considered a cluster by the U.S. Department of Health and Human Services.
- (b) Reimbursements of these contracts are passed through the State Family Independence Agency. The amounts reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective amounts based on 66% of total contract expenditures.
- (c) The reimbursements for the IV-D Incentive Payments Program are based on support payments collected. Expenditures have been reported to the extent of earned revenues.
- (d) Denotes programs tested as "major programs".
- (e) Reimbursements of these contracts are passed through the State. The amounts reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective amounts based on the following approximate percentages of Federal participation:

<u>Program</u>	<u>CFDA Number</u>	<u>Approximate Percent</u>
State Indoor Radon Grant	66.032	50.0 %
Immunization Grants - Vaccine Handling	93.268	25.0
Medicaid Outreach & Advocacy	93.778	25.0 for 04-05 FY 51.0 for 05-06 FY
Medicaid Case Management	93.778	42.0
State Drinking Water Revolving Fund 05-06	66.468	39.29

- (f) The reimbursements for these programs are based on a fixed unit rate for each allowable service provided. Expenditures have been reported to the extent of earned revenues.
- (g) Programs considered a cluster by the U.S. Department of Agriculture.
- (h) Programs considered a cluster by the U.S. Department of Homeland Security.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

December 31, 2005

NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The following reconciles the Federal revenues reported in the December 31, 2005, basic financial statements to the expenditures of the County administered Federal programs reported on the Schedule of Expenditures of Federal Awards:

	<u>Federal/ State Revenue</u>	<u>Adjustments</u>	<u>Less State Revenue</u>	<u>Federal Expenditures</u>
PRIMARY GOVERNMENT				
GENERAL FUND				
CRP - Prosecuting Attorney	\$ 140,457	\$ -	\$(6,932)	\$ 133,525
CRP - Friend of the Court	478,595	-	(6,669)	471,926
ADC Maintenance Assistance	137,527	-	-	137,527
Sheriff - traffic	29,923	-	-	29,923
Emergency Management	394,866	-	(1)	394,865
Other Programs	<u>1,340,863</u>	<u>-</u>	<u>(1,340,863)</u>	<u>-0-</u>
TOTAL GENERAL FUND	2,522,231	-0-	(1,354,465)	1,167,766
SPECIAL REVENUE FUNDS				
Health Department	2,063,410	-	(1,208,892)	854,518
Housing Rehabilitation	146,095	-	(11,872)	134,223
JAIBG	4,174	-	-	4,174
Child Care Probate	288,706	-	(262,578)	26,128
Other Programs	<u>268,083</u>	<u>-</u>	<u>(268,083)</u>	<u>-0-</u>
TOTAL SPECIAL REVENUE FUNDS	2,770,468	-0-	(1,751,425)	1,019,043
TOTAL PRIMARY GOVERNMENT	5,292,699	-0-	(3,105,890)	2,186,809
COMPONENT UNITS				
Drainage Districts	-	146,151 ⁽¹⁾	-	146,151
Council on Aging	434,082	-	(208,516)	225,566
Road Commission	<u>8,654,183</u>	<u>-</u>	<u>(8,654,183)</u>	<u>-0-</u>
TOTAL COMPONENT UNITS	9,088,265	146,151	(8,862,699)	371,717
TOTAL ENTITY-WIDE	<u>\$14,380,964</u>	<u>\$ 146,151</u>	<u>\$(11,968,589)</u>	<u>\$ 2,558,526</u>

⁽¹⁾ The adjustment related to the Drainage Districts (Byron Water Project) Fund represents U.S. Environmental Protection Agency loan proceeds which are reported in the financial statements as other financing sources in accordance with accounting principles generally accepted in the United States of America (GAAP). These funds were recognized in the Schedule of Expenditures of Federal Awards as of December 31, 2005 as required by the U.S. Environmental Protection Agency.

Principals

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
of Shiawassee County
Corunna, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Shiawassee County, Michigan as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 13, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Shiawassee County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Shiawassee County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

We have noted certain matters that we have reported to management and the Board of Commissioners of Shiawassee County in a separate letter dated March 13, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of management, the Board of Commissioners and management of Shiawassee County, pass-through grantors, and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 13, 2006

SCHEDULE OF FINDINGS

Year Ended December 31, 2005

SUMMARY OF AUDITOR'S RESULTS

An unqualified opinion was issued on the basic financial statements. There was one (1) reportable condition disclosed by the audit of the basic financial statements, as discussed below in 2005-1. We noted no instances of noncompliance with laws, regulations, contracts, and grants that could have a direct and material effect on the basic financial statements. The County did not qualify as a low-risk auditee.

An unqualified opinion was issued on compliance for major programs. We did not disclose any findings related to internal controls or compliance related to the major programs tested.

The major programs tested to cover 50 percent of the total Federal expenditures were the Child Support Enforcement (Title IV-D) (CFDA 93.563), State Homeland Security Cluster (CFDA 97.004 and 97.067), and Immunization Grants (CFDA 93.268) programs. Total Federal expenditures for the year ended December 31, 2005 for the major programs was \$1,440,005, which is approximately 56 percent of total Federal expenditures.

The County had three (3) Type A programs, the Child Support Enforcement Program (Title IV-D) (CFDA 93.563), State Homeland Security (CFDA 97.004 and 97.067), and Immunization Grants (CFDA 93.268). Programs of less than \$300,000 were determined to be Type B programs.

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Control Over the Financial Statements.

2005-1 SEPARATION OF DUTIES - DISTRICT COURT

Condition: During the course of our prior year audit, it was noted that the head clerk of the District Court was involved with writing and signing checks, bank reconciliations, daily balancing processes, and was also involved in the receipting of cash and could void receipts. This was all performed with no supervisory review of any of these functions by the Court Administrator.

These issues were addressed during the current year by the Court, but the employee in question still has duties and system access that are incompatible with each other. The head clerk still opens the mail, is a backup cashier (which implies continued access in this area), and is an authorized check signer on the Court's bank accounts. As a result, the County assumes a higher risk in safeguarding assets.

Criteria: Paragraph D1 of section 6-05, Michigan Court Administration Reference Guide, states: "Duties and responsibilities for handling receipts and disbursements should be arranged and separated so that an employee does not perform more than one of the following functions:

- a. Opening the mail.
- b. Receipting payments.
- c. Balancing receipts to the accounting records.
- d. Performing the bank reconciliation.

Additionally, Paragraph C7 of section 6-05, Michigan Court Administration Reference Guide, states: "Employees who receipt payments should not have the capability to generate court checks."

Effect: District Court management must realize that a greater risk in safeguarding assets will exist if duties and responsibilities are not appropriately arranged and separated. In smaller courts, where the number of employees is limited and duties cannot be adequately separated, court management must provide a greater review and supervision of employee functions and procedures."

Shiawassee County, Michigan
SCHEDULE OF FINDINGS - CONTINUED
Year Ended December 31, 2005

FINDINGS/NONCOMPLIANCE - CONTINUED

Reportable Conditions Related to Internal Control Over the Financial Statements - continued.

2005-1 SEPARATION OF DUTIES - DISTRICT COURT - CONTINUED

Recommendation: It is recommended that the District Court appropriately arrange and separate duties and responsibilities so that an adequate internal control system exists to safeguard receipts. If the court cannot separate duties within the office to provide an adequate internal control system, the court must realize that a greater risk in safeguarding assets will exist.

There appears to be a sufficient number of employees in the office of the District Court so that additional procedures can be implemented that will strengthen the internal control system and, accordingly, reduce the risk in safeguarding receipts and disbursements. The court management must provide greater review and supervision of employees, in addition to periodically reviewing their duties to ensure that they have not changed, resulting in a further weakening of the internal control system.

Corrective Action Response: Management of the County is currently reviewing procedures related to separation of duties at the District Court in order to comply with the cited requirements.

Findings Related to Compliance with Requirements Related to the Financial Statements.

None.

Findings Related to Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.

None.

Shiawassee County, Michigan

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended December 31, 2005

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Controls Over the Financial Statements.

2004-1 BANK RECONCILIATIONS

During the course of our prior year audit, it was noted that the County had not reconciled the pooled cash bank account to the general ledger in a timely manner throughout the entire year. The reconciling of these amounts to the general ledger was not performed until just before the December 31, 2004 year-end audit fieldwork in calendar year 2005. It was noted that various general ledger posting errors and unrecorded transactions had not been properly accounted for until the reconciliation was complete. It was also noted that the District Court bank reconciliations for the two (2) accounts under the control of the Court were several months behind when audit fieldwork started after year-end.

These issues were not noted during our current year audit and the finding is therefore considered to be resolved.

2004-2 BANK ACCOUNTS NOT RECORDED

During the course of our prior year audit, we noted nine (9) bank accounts that are not recorded in the County's general ledger. The accounts were in the jail, district court, juvenile court, medical care facility, and council on aging. All of these accounts were recorded via adjusting entries after year-end and were reflected in the audited financial statements.

We noted during our current year audit that eight (8) of the nine (9) accounts were recorded in the County's general ledger. The one (1) account that is not recorded will be communicated to the County in the management letter and therefore the finding is considered to be resolved as it is not material to the County's financial statements as a whole.

2004-3 SEPARATION OF DUTIES - DISTRICT COURT

During the course of our prior year audit, it was noted that the head clerk of the District Court was involved with writing and signing checks, bank reconciliations, daily balancing processes, and is also involved in the receipting of cash and can void receipts. This is all performed with no supervisory review of any of these functions by the Court Administrator.

We noted during our current year audit that the Court had made certain changes to address these weaknesses, but that the employee in question still performs duties and has system access that are incompatible with each other. The finding is therefore not considered to be resolved and is repeated as finding 2005-1.

Findings Related to Compliance with Requirements Applicable to the Financial Statements.

No prior audit findings.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED

Year Ended December 31, 2005

FINDINGS/NONCOMPLIANCE - CONTINUED

Findings Related to Compliance with Requirements Applicable to Federal Awards and on Internal Control Over Compliance in Accordance with OMB Circular A-133.

2004-4 VACCINE INVENTORY

U.S. Department of Health and Human Services, passed through Michigan Department of Community Health. Immunization grants, FY03-04 and 04-05 Vaccine Supply (CFDA 93.268).

During the course of our prior year audit, the vaccine inventory was not properly accounted for with details being retained of beginning and ending inventory balances and amounts used and received and all of this data being reported within the Health Department's general ledger. Data was gathered at audit time and this information was included in the audited financial statements at December 31, 2004.

We noted during our current year audit that the vaccine inventory had been properly identified and recorded by the County and therefore the finding is considered to be resolved.

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MANAGEMENT LETTER

To the Board of Commissioners
of Shiawassee County
Corunna, Michigan

Dear Ladies/Gentlemen:

As you know, we have recently completed our audit of the records of Shiawassee County, Michigan for the year ended December 31, 2005. In connection with the audit, we feel that certain changes in your accounting procedures would be helpful in improving management's control and the operational efficiency of the accounting functions. These suggestions are a result of our evaluation of the internal control structure and our discussions with management.

1. Various aspects of the Drain office operations should be analyzed and modified accordingly.

During our detailed analysis of the activities within the Drain office we noted several issues as noted below. Based on our understanding of the issues, none of these issues individually or collectively have a material impact on the financial statements as a whole that would result in our issuance of anything other than an unqualified opinion on the applicable opinion units. They are however control issues that should be addressed immediately to allow for accurate information to be produced by the Drain office.

- A. During our analysis of the Soil Erosion (Enterprise) Fund we noted that there was a significant increase in revenues/expenses within that fund in 2005. This was due to a change in methodology of charging for permits, etc. by the new Drain Commissioner. This change appeared to be contrary to past County practice and the intentions of this fund when it was established.

We suggest the County establish formal written procedures related to the overall activity of this fund and then follow these procedures in the future. We were notified this function has been transferred to another County Department after year-end. It should be clearly communicated to this new department exactly how the operational activities of this fund should be handled.

- B. It was determined that Drain office employees did not complete individual timesheets for each pay period but instead communicated their hours verbally to the Drain office secretary who summarized the information into a payroll summary that the Drain Commissioner approved and it is submitted to the Clerk's office for processing.

We suggest that each employee within the Drain office complete and sign a detailed timesheet for each payroll period and submit that to the Drain Commissioner for his approval signature. Once they have been approved they could be summarized and submitted to the Clerk's office for processing.

1. Various aspects of the Drain office operations should be analyzed and modified accordingly - continued.

- C. Based on our inquiry of how the accounts payable disbursement process worked within the Drain office, we noted that there was no formal procedure in place for the ordering of goods and services. Routine items such as operating supplies, etc. could be purchased by any employee in the Drain office without prior approval and large purchases did not require Board approval as long as the Drain Commissioner approved the transaction. Once a drain order was prepared to pay for the goods or services and the payment was processed by the Clerk's office, the checks were given to the Drain office to have the information recorded in the drain records and be distributed to the vendors. It was also noted that there is no formal bid process in place for work done on drain projects. The Drain office indicated that they do bid but there were no set procedures in place describing the criteria of when and how to conduct bidding.

We suggest the County evaluate the disbursement process within the Drain office and implement formal written procedures of who can initiate a purchase and the overall approval process. The County should also immediately discontinue the process of taking the checks for drain related expenditures back to the Drain office for distribution. There is no need for that office to get the actual check when a copy of the check register or other accounting reports would be sufficient. We further suggest the Drain office implement formal written procedures as they relate to bidding to assure they are allowing for fair and competitive bidding and they are in compliance with any other County or outside requirements (drain code, etc.) as it relates to bidding.

- D. During our detailed analysis of the overall accounting process with the Drain funds it was determined that the Drain office lacked formal procedures for the overall accounting functions within the Drain office. Several issues such as the legitimacy of the charges in the 639 Fund, the accuracy of the computerized drain accounting system which tracks the accounting by drain, the support behind the annual drain assessments, the accounting and usage of drain debt proceeds, reconciliation of drain cash to the Treasurer's office, drain adjustments, and accounting for drains where other municipalities were involved were a number of overriding issues that were noted during our analysis. While it appeared the drain funds in total were accurate there were several issues noted that were between individual drains.

We suggest the Drain office look at all aspects of the Drain office and prepare and implement formal written procedures to address all of these issues to assure the overall Drain office activity is properly managed and accounted for within that office.

2. Decentralized accounting procedures at various departments should be analyzed and modified.

- A. During our decentralized receipts testing at the Council on Aging we noted one (1) instance where supporting documentation could not be located for a receipt transaction.

We suggest the department ensure supporting documentation is retained for all receipt transactions.

- B. During our decentralized receipts testing at the Sheriff's department we noted that a monthly deposit to the County Treasurer was less than the monthly total in the receipt journal due to a lost check. We also noted that supporting documentation and receipts could not be located for all transactions.

We suggest the department ensure all documents and records are organized and filed properly.

- C. During our decentralized receipts testing at the Prosecuting Attorney's office we noted that there was no reconciliation being done between the funds being deposited with the County Treasurer's office and the actual receipts present. This issue was noted and reported in our prior year management letter comments.

We suggest the department reconcile pre-numbered receipts used to the funds that are periodically deposited with the Treasurer's office.

3. The Friend of the Court should maintain support for bank account reconciling items.

During the course of our audit, we noted that the Friend of the Court did not have detailed support for outstanding checks recorded as reconciling items on two (2) bank accounts.

We suggest the Friend of the Court maintain a report detailing a listing of outstanding checks to support reconciling items for all bank accounts.

4. Various jail operational procedures should be analyzed and modified accordingly.

- A. During the course of our audit, we noted bank reconciliations were not available at the time of the audit for the inmate trust account. Although the reconciliations were prepared, the computer system did not allow the reconciliation to be printed for prior months.

We suggest that the bank reconciliations for the inmate trust account be printed each month after reconciling the account.

- B. We noted that bank reconciliations are not reviewed by a supervisor on a monthly basis in the jail. This step is a critical part of management oversight, especially in an environment where limited segregation of duties is present. This issue was noted and reported in our prior year management letter comments.

We suggest that formal supervisory review procedures be put in place for monthly bank reconciliations in the jail. The bank reconciliation should be reviewed, any discrepancies promptly investigated, and signed off by a responsible official.

- C. During our analysis of the inmate trust account it was noted that the account is not being reconciled to an inmate deposit listing at the end of each month. It was also noted that this bank account contained additional amounts that did not pertain to inmate trust deposits. The account appeared to have cumulative profits from prior jail commissary sales. This issue was noted and reported in our prior year management letter comments.

We suggest that the jail commissary profits be moved out of this inmate trust account and deposited in the jail commissary fund. Once that is done the jail should then be able to reconcile this trust and agency account balance to a monthly listing of individual inmate balances.

- D. During our analysis and testing of the internal control structures, we noted that one individual in the Jail performed numerous accounting functions (i.e., receipts, disbursements, deposits, cash and bank reconciliations).

The main concept of an internal control structure is to assure that no one person handles all aspects of processing a transaction. The jail's current processes allow one individual to process all of these transactions. This issue was noted and reported in our prior management letter comments.

No changes have been made in this area at the Jail for 2005.

We suggest the County take steps to ensure that accounting duties are segregated to extent possible in the jail. This will increase efficiency in the processing of transactions and strengthen the internal control systems. At a minimum, the billing, receipting, depositing, and bank reconciliation process should be segregated.

- E. During our analysis and testing of the internal control structure, we noted that in the jail there is inadequate control over the blank check stock. We noted that blank checks are kept in an area where they could be accessed by anyone who enters the room. This issue was noted and reported in our prior management letter comments.

Our inquiries of management indicated that they do not believe that this is a problem in their environment and that controls such as those suggested would make the process unnecessarily cumbersome.

We suggest that proper controls be put in place over the blank check stock. Blank checks should be maintained in a locked drawer where only authorized check signers have access.

5. The County should review the status of individual fund equities (deficits) near year-end.

As noted in the financial statements, the County had two (2) funds that ended the year in a deficit financial position. While collectively these deficits were not material to the financial statements as a whole they were compliance issues. As a result, the County will be required to submit a deficit reduction plan to the State of Michigan for these funds. This issue was noted and reported in our prior year management letter comments.

We suggest the County review the status of all funds near year-end and make appropriate adjustments when possible to eliminate deficits.

6. Budgets should be monitored and amended when necessary.

As noted in the annual financial statements, some of the budgeted activities of the County exceeded the amounts appropriated. The variances noted were in the General Fund. This issue was noted and reported in our prior year management letter comments.

The Michigan Public Act 621 of 1978, as amended, provides that the County shall not incur expenditures in excess of the amounts appropriated. The County is also required to adopt budgets for the General and all Special Revenue Funds.

We suggest the County adopt budgets for all applicable funds and monitor expenditures against the adopted budget on a periodic basis, preferably monthly. Appropriate budget amendments should be made as needed.

7. All bank accounts should be recorded in the County's general ledger.

During the course of our audit, we noted a bank account at the Medical Care Facility that was not recorded in the County's general ledger. The bank account is an agency fund that is maintained to hold deposits on behalf of residents. Medical Care Facility management states that recording this account would be considered co-mingling those funds with County funds, but recording this account in the general ledger is necessary to demonstrate stewardship over the amounts being held. The account was recorded via adjusting entry after year-end and is reflected in the audited financial statements with an offsetting liability in the Medical Care Facility fund. This issue was noted and reported in our prior year management letter comments.

We suggest that the County take steps to ensure that all bank accounts are properly identified and recorded in the County's general ledger. This would include recording the balances at year-end and all of the activity throughout the year.

8. Grant information should be kept in a central location.

As we were testing the provisions of the Federal and State grant programs we noted that the associated information is located in several different offices around the County. Instituting a central location for all grant related information would facilitate the audit process and allow easier access to this information for management purposes. We did note improvement in this area but there were still instances where the grant information was not centrally located for audit purposes. This issue was noted and reported in our prior year management letter comments.

We suggest that the County continue to work on improving the procedures to assemble all documentation related to Federal and State grants and keep it in a centralized location.

9. Revenues and expenditures should be entered in detail.

An analysis of the detailed transactions for the County revealed several funds where the revenues and expenditures are still being posted to generic revenue and expenditure "control" accounts rather than to a specific line item. In order to provide the necessary detail of the activity of the County line items, revenues and expenditures should be reported in accordance with the State of Michigan's chart of accounts. We did note improvement in this area with the County correcting a significant number of these generic accounts but there were still some noted at year end. This issue was noted and reported in our prior year management letter comments.

We suggest the County review the required chart of accounts and implement changes to the necessary funds.

10. Various aspects of the Council on Aging activities should be analyzed and modified accordingly.

A. The Council's accounting system currently does not utilize a "general ledger", which would provide a double entry accounting system to help assure reconciliation and provide expense detail by program area. The Council contracted with an outside vendor to compile financial information for the audit, but this firm had difficulty providing balanced and complete statements due to the limitations on the information available. A similar comment was noted and reported in our prior year management letter comments.

We suggest the Council implement a general ledger accounting system to better account for the Council's financial activity.

10. Various aspects of the Council on Aging activities should be analyzed and modified accordingly - continued.

- B. During the course of our audit we noted that there were no consistent procedures in place for cash collections. We noted that receipts were not always written for all money that came in and some amounts had no alternative documentation retained to support the amounts received. We also noted that one individual is responsible for all aspects of processing cash receipts. This issue was noted and reported in our prior year management letter comments.

We suggest prenumbered receipts be written for all funds collected and those funds be reconciled and periodically deposited. For small cash donations a receipt log and some alternative could be used for support. We also suggest for cash collections that at least two (2) individuals be involved in the counting process.

- C. During our analysis of the Council on Aging it was determined that they are a nonprofit entity formed under IRC 501(c)(3) and a separate entity from the County. Based on our analysis it does not appear that this entity qualifies as a component unit of Shiawassee County. The County has elected to treat them as a component unit and include their financial information in the County's financial statements. We do not consider it to be material to the statements taken as a whole, but the County should continue to be aware that the Council's records technically do not have to be reported in their audit. A similar comment was noted and reported in our prior year management letter comments.

We suggest the County exclude this organization from the County's financial statements in the future.

- D. During our consideration and assessment of fraud risk, we noted that the Council on Aging may not have sufficient segregation of duties in its accounting structure. The intent of internal control is to assure that no one individual is able to control all aspects of a transaction cycle (i.e., receipts, disbursements, bank reconciliations, etc.).

While this is a common occurrence in small organizations due to the limited number of employees, the Council should realize that a greater risk in safeguarding assets exists if duties and responsibilities are not appropriately arranged and separated.

We suggest that the Council review various areas of operation at the Council on Aging and consider additional segregation of duties. If duties cannot be adequately segregated due to the limited number of employees, we suggest the Council provide a greater review and supervision of employee functions and procedures.

11. The Medical Care Facility should report all aspects of the fund on the full accrual basis of accounting.

During our analysis of the Medical Care Facility, it was noted that the Facility was an Enterprise Fund which reports its financial activities on the full accrual basis of accounting for everything except property taxes. The 2004 and the 2005 tax levies were reported as receivables and deferrals which is not in accordance with generally accepted accounting principles (GAAP) for an Enterprise Fund. An audit entry was made to properly report this activity in accordance with GAAP for both 2004 and 2005. This issue was noted and reported in our prior year management letter comments.

Management at the Medical Care Facility asserts that accounting for the property tax levy on the modified accrual basis is necessary for cost accounting purposes. It has been agreed that an audit adjustment can be made each year to properly account for this, but computing this adjustment annually is a use of audit time that may be better directed elsewhere.

We suggest the Medical Care Facility report all activities within their fund in accordance with GAAP for audit purposes.

12. The Medical Care Facility should review various areas of operation and consider additional segregation of duties.

During our consideration and assessment of fraud risk, we noted that the Medical Care Facility may not have sufficient segregation of duties in its accounting structure. The intent of internal control is to assure that no one individual is able to control all aspects of a transaction cycle (i.e., receipts, disbursements, billing, etc.). This issue was noted and reported in our prior year management letter comments.

12. The Medical Care Facility should review various areas of operation and consider additional segregation of duties - continued.

While this is a common occurrence in small organizations due to the limited number of employees, the Board should realize that a greater risk in safeguarding assets exists if duties and responsibilities are not appropriately arranged and separated.

No changes have been made in this area at the Medical Care Facility for 2005.

We suggest that the Medical Care Facility review various areas of operation and consider additional segregation of duties. If duties cannot be adequately segregated due to the limited number of employees, we suggest the Board provide a greater review and supervision of employee functions and procedures.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements and this report does not affect our report on the financial statements dated March 13, 2006.

This report is intended solely for the use of management and the Board of Commissioners of Shiawassee County and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you, and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 13, 2006